



Report of the  
3rd INTERNATIONAL CONFERENCE ON  
CO-OPERATIVE THRIFT AND CREDIT

London 10-14 June 1974

Democracy and Efficiency in  
Thrift and Credit Co-operatives'

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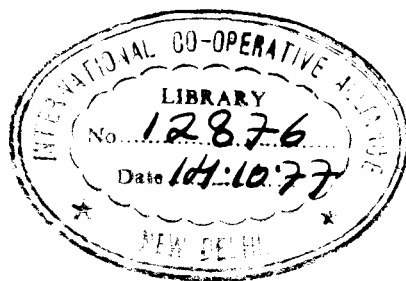
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Report of the  
3rd International Conference on  
Co-operative Thrift and Credit

London 10-14 June 1974

**“Democracy and Efficiency in  
Thrift and Credit Co-operatives”**

Conference Rapporteur: W. P. Watkins



Organised by the  
**International Liaison Committee on  
Co-operative Thrift and Credit**  
Paris, France London, UK



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# Organisation of the Third Conference

## CONFERENCE

Date	Session	CHAIRMAN OF THE SESSION	SUBJECT	SPEAKERS
10th M.	10.00 to 12.30	Dr M. BONOW <i>President, ICA</i>	<b>Opening Address</b> <b>Ministers' speeches</b>  <b>Introductory Report</b> <b>Keynote Speech</b>	Dr M. BONOW Mrs J. HART, <i>Minister for Overseas Develop., UK</i> Mr J. BURKE KNAPP, <i>V/President of World Bank</i>
	14.30 to 17.30	Mr R. G. TIWARI <i>President, NCU of India</i>	<b>A. MOTIVATION PROBLEMS</b>  <b>General Discussion</b>	Mr P. E. CHARRON, <i>Jt/President General Secretary, CPD, Québec</i> Mr P. LACOUR, <i>President, Cred Coop., France</i> Mr R. COSTE, <i>Gen. Manager, Centre of Research Economy, Thrift and Credit</i>
11th T.	09.00 to 12.30	Mr P. E. CHARRON, <i>Jt/President &amp; General Secretary, CPD, Québec</i>	<b>B. TRAINING AND EDUCATION</b> <b>General Discussion</b>	Dr S. K. SAXENA, <i>Director, ICA</i> Mrs M. THOLLEY, <i>Treasurer, Thrift and Credit Society of Sierra Leone</i>
	14.30 to 17.30	Mr L. LEE, <i>Chief General Manager of Cooperative Bank</i>	<b>C. BUSINESS STRATEGY</b>  <b>General Discussion</b>	Mr G. FOX, <i>Coop. League of USA</i> Mr A. LEWINSKY, <i>Hapoalim Bank of Israel</i> Mr W. BLEILE, <i>Director, Cent. G.Z. Bank, A.G. Switzerland</i> Mr N. A. KULARAJAH, <i>President, Coop. Union, Malaysia</i> Mr E. ALLEN, <i>President, NACCU</i>
12th W.	09.00 to 12.30	Mr N. A. KULARAJAH, <i>President, Coop. Union, Malaysia</i>	<b>D. STRUCTURE AND RATIONALISATION</b>  <b>General Discussion</b>	Mr T. BRAUN, <i>President, NNCM, France</i> Mr H. BENZING, <i>Friedrich-Eber Stiftung, Bonn</i> Mr T. HAYASHI, <i>Director, Coop. Bank of Japan</i>
	14.30 to 17.30	Mr H. BRAATEN, <i>President, WOCCU, USA</i>	<b>E.(1) INTERNATIONAL COOPERATION</b>  <b>General Discussion</b>	Dr W. HESSELBACH, <i>President, Bank für Gemeinwirtschaft A.G.</i> Mr M. ROBERTSON, <i>President, ICUS Corporation</i> Mr D. GRETHE, <i>Managing Director, INGEBA K.F. Sweden</i> Mr B. TRONET, <i>Finance Director</i>
13th Th.	09.00 to 12.30	Mr T. BRAUN, <i>President CNCM, France</i>	<b>E.(2) REGIONAL COOPERATION</b>  <b>General Discussion</b>	Mr M. V. MADANE, <i>Joint Director, Regional Office, South Asia</i> Mr B. MUKONG, <i>President, ACOCA</i> Mr A. SO, <i>President, Asian Conf. of Credit Union, Hongkong</i> Mr B. ORTIZ, <i>President, COLAC Latin America</i>
	14.30 to 15.30 15.30 to 18.00	EXCURSION FOR PARTICIPANTS  GENERAL DRAFTING COMMITTEE		
14th F.	14.30 to 16.00 16.00 to 17.30	Mr P. LACOUR  Dr M. BONOW	<b>REPORT, DISCUSSION &amp; RECOMMENDATIONS on DRAFT RESOLUTION CONCLUSIONS AND CLOSING SESSION OF THE CONFERENCE</b>	Dr S. K. SAXENA Mr W. P. WATKINS Mr R. P. B. DAVIES

## DRAFTING COMMITTEES

SUBJECT	CHAIRMAN	RAPPORTEUR	MEMBERS
18.00 to 20.00 A. MOTIVATION PROBLEMS	Mr Y. DANEAU	Mr R. COSTE	Mr P. E. CHARRON Mr P. LACOUR Mr R. G. TIWARI Mr H. OHMI Mme A-M. ROBERT
No. 1			
18.00 to 20.00 B. TRAINING AND EDUCATION	Mr G. FOX	Mr S. MSHIU	Dr S. K. SAXENA Mr P. E. CHARRON Mrs THOLLEY Mr H. OHMI
18.00 to 20.00 C. BUSINESS STRATEGY	Mr C. D. DATEY	Mr I. ALPHONSE	Mr G. FOX Mr A. LEWINSKY Mr W. BLEILE Mr N. A. KULARAJAH Mme A-M. ROBERT
No. 2			
18.00 to 20.00 D. STRUCTURE AND RATIONALISATION	Mr F. A. NGOH	Mr G. HERTEL	Mr T. BRAUN Mr H. BENZING Mr T. HAYASHI Mr M. NAKAJIMA Mme A-M. ROBERT
18.00 to 20.00 E.(1) INTERNATIONAL COOPERATION	Mr A. A. BAILEY	Mr M. V. MADANE Mrs N. STETTNER	Dr W. HESSELBACH Mr M. ROBERTSON Mr D. GRETHE Mr B. TRONET Mr H. OHMI
No. 3			
14.30 to 15.30 E.(2) REGIONAL COOPERATION	Mr B. INGRAM	Mr G. ALDER	Mr B. MUKONG Mr A. SO Mr B. ORTIZ Mr I. ALPHONSE Mr H. OHMI Mme A-M. ROBERT
15.30 to 18.00 GENERAL DRAFTING COMMITTEE	Dr S. K. SAXENA	Mr W. P. WATKINS Mr R. P. B. DAVIES	Mr G. FOX Mr N. A. KULARAJAH Mr Y. DANEAU Mr P. LACOUR Mr C. D. DATEY Mr A. A. BAILEY Mme A-M. ROBERT Mr H. OHMI plus Rapporteurs Drafting Committee 1, 2 and 3.
09.00 to 12.15 Drafting Committee			

# Conference Main Papers

*Note:* Letters (E, F, G, S) indicate availability of papers in English, French, German and Spanish respectively.

- Motivation Problems in Thrift and Credit Cooperatives (E, F)** Mr P. E. CHARRON, *Director General*, La Fédération de Québec des Unions Régionales des Caisses Populaires Desjardins, Canada
- Remarks about Motivations in Thrift and Credit Cooperatives (E, F)** Mr P. LACOUR, *President*, Crédit Coopératif, France
- Motivations permanentes et motivations nouvelles dans les cooperatives d'épargne et de credit (F)** Mr R. COSTE, *Director of Studies*, Centre de Recherche économique sur l'épargne, France
- Educational and Training Programmes—for Members and Staff of Thrift and Credit Co-operatives (E, F)** Dr S. K. SAXENA, *Director*, ICA
- Training and Education (E, F)** Mrs M. THOLLEY, *Treasurer*, Thrift and Credit Society, Sierra Leone
- Business Strategy—for Furthering Savings and Credit (E, F)** Mr G. FOX, The Cooperative League, USA
- Relations Between Credit Co-operatives and Other Coops. (E, F)** Mr A. LEWINSKY, Bank Hapoalim, Israel
- Strategie Commerciale (E, F)** Mr N. A. KULARAJAH, *President*, Co-operative Union of Malaysia
- Business Strategy—Democracy and Efficiency in Thrift and Credit Cooperatives (E, F)** Mr E. ALLEN, *President*, National Association Canadian Credit Union League
- Structure and Rationalization (E, F)** Mr T. BRAUN, *President*, Confédération Nationale du Crédit Mutuel, France
- Structure and Rationalization (E, F)** Mr T. HAYASHI, *Director*, Central Cooperative Bank for Agriculture and Forestry, Japan
- National Solidarity—Condition for International Cooperation (E, F, G)** Dr W. HESSELBACH, *President*, Bank für Gemeinwirtschaft AG
- International Credit Union Inter-lending Programme (E, F)** Mr W. ROBERTSON, *President*, International Credit Unions Services Corporation
- International Cooperation (E, F, G)** Mr D. GRETHE, *Managing Director*, International Cooperative Bank Co Ltd
- International Cooperation—International Finance Study (E, F)** Mr B. TRONET, *Vice-President*, International Cooperative Bank Co Ltd
- Regional Cooperation—An Asian Cooperative Development Bank** Mr M. V. MADANE, *Joint Director*, Technical Assistance and Trade, ICA Regional Office for South East Asia
- Regional Cooperation—A Case Study (E)** Mr A. SO, *President*, Asian Confederation of Credit Unions, Hong Kong
- Regional Cooperation—COLAC Exists (E, F)** Mr B. ORTIZ, *President*, COLAC, Latin America
- International Cooperation — Regional Cooperation (E, F, S)** Mr B. MUKONG, *President*, African Cooperative Savings and Credit Association, ACOSCA



# Conference Background Papers

The following papers, submitted by participating organisations, were made available at the Conference :

<b>Report of the 2nd International Conference on Co-operative Thrift and Credit (E, F)</b>	International Liaison Committee
<b>International Financing of Co-operative Enterprise in Developing Countries (E)</b>	ICA in collaboration with the ILO, FAO and COPAC
<b>Brief outline of Co-operation in Australia (E)</b>	Co-operative Federation of Australia
<b>Country Report on Bangladesh (E)</b>	A. A. CHOWDHURY, Bangladesh Jatiya Samabaya Union
<b>Le Crédit Coopératif du Type Raiffeisen en Belgique (F)</b>	Central des Caisses Rurales du Boerenbond Belge (CERA), Belgium
<b>Les Caisses d'Épargne et de Crédit du Canada—Québec, Juin 1974 (F)</b>	La Fédération de Québec des Caisses populaires Desjardins La Fédération de Montréal des Caisses Desjardins La Fédération des Caisses d'Économie du Québec
<b>Country Report for Canada</b>	National Association of Canadian Credit Unions (NACCU)
<b>Report of the Ayios Dhometios Co-operative Savings Bank, Ltd., Nicosia, Cyprus (E, F)</b>	S. DROUSSIOTIS, <i>Secretary/Manager</i>
<b>COLAC Report 1972, 1973 (E, F, G, S)</b>	Confederacion Latino-americana de Cooperativas de Ahorro y Credito (COLAC), Panama
<b>Operation Production (E, S)</b>	
<b>Crédit Coopératif (E, F)</b>	Mme A-M. ROBERT, Crédit Coopératif, France
<b>Co-operative Credit 1970-73: Reorganization of Structure and Widening of Outlook (E, F)</b>	G. FRANCOIS, Crédit Coopératif, France
<b>Business Strategy (E, F)</b>	J. B. GINS, <i>Délégué Général</i> , Union du Crédit Coopératif, France
<b>Crédit Mutuel (E, F)</b>	Confédération Nationale du Crédit Mutuel, France
<b>Country Report for India (E)</b>	M. A. QURASHI, <i>Secretary</i> , Ministry of Agriculture, New Delhi, India
<b>Country Report for Ireland (E)</b>	SEAMUS MACEOIN, National Co-operation Council, Dublin, Irish Republic
<b>Rural and Artisan Credit Co-operatives in Italy (E)</b>	Ente Nazionale Casse Rurali Agrarie ed Ente Ausiliari, Rome, Italy
<b>Present Condition of Co-operative Finance for Agriculture, Forestry and Fishery in Japan, 1973 (E)</b>	The Norinchukin Bank, Tokyo, Japan
<b>Tunisian Bank System (E, F)</b>	Tunisian Economic Development Bank
<b>Country Report for Turkey (E)</b>	Turkish Co-operative Association, Ankara, Turkey

## Members of the International Liaison Committee on Co-operative Thrift and Credit

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**Confédération Nationale du Crédit Mutuel**, France

**Fédération du Québec des Unions Régionales des Caisses Populaires Desjardins**, Canada

**Fédération de Montréal des Caisses Desjardins**, Canada

**Fédération des Caisses d'Economie du Québec**, Canada

**International Co-operative Alliance** (represented by its Banking Committee)

**National Co-operative Union of India**

**Groupe Raiffeisen du Bénélux**, Netherlands

**Union du Crédit Coopératif**, France

**World Council of Credit Unions**, USA

Joint Secretaries: **Mme A-M. ROBERT**, *Crédit Coopératif, Paris*

**Mr H. OHMI**, *ICA, London*

## Members of the Conference Committee

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<b>Mr B. MUKONG</b> , <i>President</i>	African Coop. Savings & Credit Association (ACOSCA)
<b>Conference Secretary:</b> <b>Dr S. K. SAXENA</b> , <i>Director</i>	International Co-operative Alliance

# Foreword by Dr S. K. Saxena

*Director ICA and Conference Secretary*

The 3rd International Conference on Co-operative Thrift and Credit, held in London in June 1974 under the presidency of Dr Mauritz Bonow, marked an important stage in the development of the work which is now being carried out under the direction of the International Liaison Committee on Co-operative Thrift and Credit. For the ICA, which is represented by the Banking Committee, the Liaison Committee provides an important and flexible instrument for keeping contacts with Thrift and Credit organisations throughout the world, some of which are not in membership of the Alliance. A study of the proceedings will indicate the concerns which exercised the minds of Co-operators at the Conference and the recommendations provide a good basis for future practical action.

It is not possible here to summarize the important points made in the discussions. Two aspects may, however, be noted. First of all, the continuing problem of inflation and the consequent erosion of savings pose a serious threat to the operations of thrift and credit societies. This is a problem which calls for action on many fronts. The reform of the international monetary system, based on a consensus among governments on measures to correct the imbalances which characterise the present international financial scene, is a necessary precondition and the thrift and credit movement must act as a pressure group both nationally and internationally. At the same time, a number of steps must be taken in order to increase the efficiency of co-operative societies. Some of these measures were discussed at length by the Conference.

The second and most encouraging aspect of the Conference, in my view, was the seriousness with which practical programmes of interlending were discussed in two sessions on June 12 and 13. The relevance of co-operative organisations to act as channels through which finance can be transferred from one part of the world to another was emphasized. ICA's recent study entitled "International Financing of Co-operative Enterprise in Developing Countries", and the World Council of Credit Unions' efforts to develop international interlending programmes are welcome efforts, but clearly much more needs to be done and the process needs acceleration with the support of all agencies.

I would like to take this opportunity to thank all those who contributed to the success of the Conference in different ways.

# The Historical Background

The evolution in the last two decades of mutual and co-operative organisations formed primarily for the economical management of savings and the provision of credit by and for the people has produced remarkable changes in the world picture of the Co-operative Movement. This evolution, which still continues, has two major aspects. One is expansion, that is the multiplication of primary savings and credit associations and the growth of their membership, especially in the newly developing countries of Africa, America and Asia. The other is consolidation—a term which covers among the younger movements the process of federation of primary associations into unions and banks at national levels and the combination of these national groupings in confederations embracing continental regions. Among the older movements consolidation is well advanced in the form of amalgamation of primary associations to form larger, more complex units, more viable and diversified in their functions, and the centralisation of certain technical services.

The term also includes steady progress on the international level from consultation to collaboration and ultimately cohesive and integrated organisations for inter-lending and other financing operations, in which the banks created by the savings and credit movements act more and more in concert with the banking institutions evolved by agricultural, consumers', workers' productive and housing co-operative movements. Already results are clearly perceptible in the manner in which these

groups of organisations in the sphere of banking and finance constitute a wing of increasing strength and influence in the International Co-operative Alliance, evidenced in their quadrennial international conferences on Co-operative Thrift and Credit.

The initial impulse for this particular development sprang from the Credit Union Movement, itself a scion from the original German stock of Friedrich Wilhelm Raiffeisen, and its extension, first from the United States over the rest of the Americas and, subsequently, into the other continents. The special organisation created to promote this development, CUNA International, was thus justified in 1971 in changing its name to "World Council of Credit Unions". While still under its original name, it organised the first International conference on Co-operative Thrift and Credit, held at Kingston, Jamaica, in October 1966. This Conference, at which the International Co-operative Alliance was represented by its then Director, Mr W. S. Alexander, could not be other than mainly exploratory. The participating organisations had much to learn about one another's situation, scope, objectives and national environment. But they also learnt, in the words of Mr R. C. Robertson, "that all co-operative thrift and credit institutions, whatever their philosophical principles or their geographical situation, had common problems . . . We have also learned from each other's experience different ways of solving these problems."

The learning process did not cease with the close of the Conference, but was

resumed more intensively with the second conference, which met at Paris in September 1970 on the invitation of the Union du Crédit Coopératif and the Confédération National du Crédit Mutuel of France and with the sponsorship of the International Co-operative Alliance, CUNA International Inc., Les Caisses de Crédit du Canada, the Central Co-operative Bank for Agriculture and Forestry of Japan and the National Co-operative Union of India. An attendance of three hundred delegates from 22 countries devoted five days to discussing the theme of "Thrift and Credit Co-operation as a Basis of Development" without in any way exhausting the subject. Rather did the delegates disperse with an enlarged view of the role, responsibilities and opportunities of the Co-operative Credit Movement in the economic and social world of today and tomorrow and of the tasks demanding attention and action, especially among the newly-liberated nations of what are currently called the "Third" and "Fourth" Worlds.

It was evident that the work and recommendations of the Second Conference must be followed up, and it was agreed that a committee or working group was indispensable to keep in touch with the progress of the national thrift and credit movements, their action in carrying out the suggestions approved by the Conference and the emergence of new problems created by the evolution of the world economy. In addition, the committee

should choose the theme and guide the preparation of the Third Conference, to be held in 1974. The work of the committee was carried on in a perfectly co-operative spirit, despite the absence of rules or a constitution, as was indicated by its title of Informal Liaison Committee.

Nevertheless, before the close of the Third Conference it had adopted, in the interests of greater efficiency, the necessary modicum of formal rules, as well as amending its title to International Liaison Committee on Co-operative Thrift and Credit, the International Co-operative Alliance being represented through its International Banking Committee. The Conference accordingly has been provided with an organ responsible for watching and promoting the development of thrift and credit co-operatives and co-ordinating their action world-wide. It is serviced by a joint secretariat, operating for technical purposes from the ICA Headquarters in London, and for administrative purposes from the office of the Caisse Centrale du Crédit Coopératif in Paris. The joint secretaries are Mr H. Ohmi (in place of Mr M. Matsuhira the previous joint secretary for over two years, whose energetic labour contributed greatly to the success of the 3rd Conference) in London and Madame A-M. Robert in Paris. At its first meeting in October 1974 the International Liaison Committee elected as its chairman Mr Pierre Lacour, President of the Union du Crédit Coopératif of France.



The Conference

## SECTION I

# Democracy and Efficiency in Thrift and Credit Co-operatives

Proceedings of the Third International Conference on Co-operative Thrift and Credit

## Introduction

The Third International Conference on Co-operative Thrift and Credit held under the auspices of the International Co-operative Alliance from 10th to 14th June 1974 at the Bloomsbury Conference Centre, London, marked a notable advance on its two predecessors. It is not simply that it was more representative of this branch of Co-operation, in that the 32 countries represented by its 150 participants were ten more than in the conference at Paris in 1970, and that there was a greater variety of co-operative and mutual savings, credit and banking organizations sending delegates, that observers were present from a larger number of international organizations and specialized foundations, notably the ILO, FAO, ICFTU, the Friedrich-Ebert and Adenauer Foundations engaged in assisting the economic and social progress of newly emancipated nations in the early stages of their modern economic development. It is that, with lengthened experience of working together, the members of the International Liaison Committee, representing eight national unions or federations, besides the International Co-operative Alliance and the World Council of Credit Unions, were able to plan and carry out a series of discussions with more clearly-defined and concrete aims than on previous occasions.

There was also an external circumstance, widespread monetary inflation with its inevitable consequences for every corner

of the world economy and its special menace of frustration, and even paralysis, for savings institutions through its destructive effect upon thrift, to induce and maintain a seriously reflective mood amongst the participants. As these conferences meet at four-yearly intervals the theme and its treatment had been decided long before the rate of inflation accelerated into a world menace. Nevertheless, to survey the whole field of co-operative thrift and credit from the two standpoints of democracy and efficiency, at all levels from the local to the international, was a refresher exercise in fundamentals which could not be *mal à propos* or anything but salutary, whatever the external situation.

Study of the list of participants is rewarded by discovery of interesting details of the composition of the Conference. Europe was the continent most strongly represented, both by number of countries (12) and number of delegates. Seven African countries were represented and six countries each in Asia and America, North, Central and South. An Australian delegation represented Oceania. France was the country with the largest delegation which comprised, besides officers of national and regional mutual and co-operative credit organizations, both urban and rural, representatives of important banking institutions such as the *Crédit Lyonnais*, the *Crédit Foncier* and the *Banque Nationale de Paris*. Canada also sent a strong delegation, the majority of

## Day 1 Introduction and Opening Session

its members coming from the Quebec Federation of Desjardins People's Banks. There was some disappointment, however, that the small delegation from the German Federal Republic included no representatives of the twin organizations whose origins, far back in the nineteenth century, entitle their country to be called the fatherland of Co-operative Credit.

The relatively even distribution of delegations between Asia, Africa and Latin America is obviously due, more than any other factor, to the extension in recent years of the Credit Union Movement and its early establishment of continental confederations, under the leadership of the World Council of Credit Unions. Significant also was the presence of delegates of banking institutions serving primarily, if not exclusively, particular branches of Co-operation, such as those integrated with the consumers' co-operative movements of Great Britain, Germany, Sweden and Switzerland, as well as of banks serving practically all forms of Co-operation in their respective countries, such as those of Cyprus, Israel, Malaysia and Nigeria. Noteworthy again is the fact that officers of non-trading national co-operative unions, like the British, the Turkish and the Co-operative League of the USA, were closely following the proceedings. The International Co-operative Alliance was represented by a large number of officers of its London Headquarters staff, the Directors of its Regional Offices for South-East Asia and East and Central Africa, the President and Manager of the International Co-operative Bank Company (INGEBA) and members of three of the ICA Auxiliary Committees, Banking, Insurance and Housing.

### Opening Session

At the opening session on Monday, 10th June, DR MAURITZ BONOW, President

of the International Co-operative Alliance, took the chair and welcomed the Assembly on behalf of the International Liaison Committee. He read a message from the RT HON MRS JUDITH HART, Minister for Overseas Development in the British Government, who was prevented by official duties from welcoming the Conference in person. Expressing her regret, Mrs Hart said that she was "especially concerned with the need to bring effective economic progress to the massive rural populations of the world. It is in this context that I see the importance of Co-operative organizations, firstly to mobilize the human and material resources of the people themselves and, secondly, to provide channels through which aid from the more fortunate regions may be directed. The theme of this Conference gets down to the root of the question: how can Co-operative credit be democratic, involve the great masses of the people and also be efficient? Answers to this question are desperately needed."

Dr Bonow went on to point out that the deterioration in the world food situation, coupled with the energy crisis, had made the position in a number of developing countries almost intolerable. This fact, with the burden of debt which developing countries have to carry, had made it all the more important that an adequate supply of credit is made available to farmers, as part of a larger package for helping to increase food production. The International Liaison Committee, set up on the recommendation of the 2nd International Conference at Paris in 1970, had provided a meeting point for Co-operators interested in the sector of Co-operative Thrift and Credit. It was his earnest hope that the Conference would provide the Committee with concrete ideas, on the basis of which future international action could be taken. In order that all could be



aware of the developments in the field of Thrift and Credit since the last Conference in Paris, Dr Bonow invited Mr R. G. TIWARI, MP, President of the National Co-operative Union of India and a member of the International Liaison Committee to survey the progress made.

Reporting on thrift and credit co-operation over the past four years, Mr Tiwari said:

Since September 1970, the World Co-operative Movement has been receiving effective support, practical co-operation and promise of further tangible participation in its efforts whenever they are directed to the areas of greatest need—the small farmer in developing countries. The President of the World Bank in his address to the Board of Governors at Nairobi, Kenya, 24th September 1973, referring to his plans in financial terms for the second five-year programme said: "It will represent the largest programme of technical and financial assistance to developing countries ever undertaken by a single agency. The quality of changes in the programme will be of even greater significance than the increase in its size. We plan to place greater emphasis on policies and projects which will begin to attack the problems of absolute poverty, far greater emphasis on assistance designed to increase the productivity of that approximate 40 per cent of the population of our developing member countries who have been able neither to contribute significantly to national economic growth nor to share equitably in economic progress." Mr McNamara, discussing the orientation of development policy, also stated: "Adopting this kind of socially orientated measure of economic performance would be an important step in the redesign of development policies. It would require governments in their planning and finance ministries to consider not only the total output of an investment but also how the benefits would be distributed. And it would ensure that important questions of equity became an integral part of project evaluation procedures put within the developing countries and the lending agencies."

Following upon the statements by Mr McNamara, the United Nations developed a

capital fund to be used for the least developed countries, and suggested further investment in support of the economic and social infrastructure of these developing countries in the fields of integrated rural development and small-scale industrial projects.

These significant events have provided the international co-operative thrift and credit movement around the world with the greatest opportunity to obtain participation by an agency which has the financial and human resources approaching the scale that is required, provided co-operatives can provide the financial vehicle through which loans can be successfully negotiated to benefit the rural populations.

Concurrently with the changing policies of the World Bank the United States Agency for International Development conducted a two-year study of small farmer credit. The programme comprised, in addition to the opening and closing conferences, six regional workshops, one each in San Jose, Costa Rica, for Mexico and Central America; in Quito, Ecuador, for South America; in Manila in the Philippines for East Asia; in Ankara, Turkey, for West and South Asia; in Nairobi for East Africa; and Ibadan for West and North Africa. Four other shorter meetings concerned with single countries were held in Vietnam, Bangladesh, Ghana and Nigeria. The three major topics discussed at these workshops were: (1) the role of credit and small farm development, (2) the institutions involved in supplying credit to small farmers, and (3) the principal policy alternatives available for such programmes. The role of the small farmer credit programme was delineated in the context of the capital market by analyzing the economic constraints in rural development. Information gathered in the course of this extensive study and the conclusions that have so far been drawn therefrom are also available to national and international thrift and credit co-operatives. These two important events occurring concurrently were closely inter-related because of participation in both by representatives of the World Bank, the FAO, and various national and international development organizations.

The pledges made by the World Bank

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and the interest shown by the US Agency should convince international co-operative thrift and credit organizations that, provided they are in a position to provide the co-operative structures through which the participation by these agencies may be economically implemented, then they have the opportunity to put into effect the words of Dr Bonow at the close of the last conference: "What we need now is action, we must rise to the occasion."

While the World Bank continues to be interested in co-operatives because they often are a most effective way of making bank finance available to farmers for development projects, the Bank knows that there are limits to the extent to which co-operatives can be used in its lending programmes. Co-operatives in developing countries often lack good management and suffer from poor organization. The Bank is not alone in criticizing poor financial management of co-operatives in developing countries. Nevertheless the Bank continues to look for opportunities to use co-operatives in its lending programmes, and for the means of strengthening them so that they can better achieve their objectives.

Our last report pointed out that membership of the Caisses Populaires movement in Quebec was then 2,647,000 approximately 44 per cent of the population. Today membership has reached 4,000,000 approximately 66.6 per cent of the population. Their assets have now grown to \$3,740,000,000. Shortly after the last conference, the Caisses Populaires movement in Quebec achieved new provincial legislation, which enabled corporations already affiliated with the Federation de Quebec de Unions regionales des Caisses Populaires Desjardins to become members and take part in decisions of the Federation, both on the board of directors and at the general meeting. By the same legislation a joint stock corporation was established under the name of Société d'Investissement Desjardins.

The purpose of SID will be to create an investment fund with the object of establishing and developing industrial and commercial undertakings, co-operative and otherwise, and thus promote the economic progress of the province of Quebec. Authorized capital stock

of the Société d'Investissement Desjardins will be \$100,000,000. Operation started in January 1974 with a subscribed capital of \$38,000,000. Among the other achievements of the Fédération de Caisses Populaires Desjardins is a fully integrated on-line computerized accounting which has been in operation for three years. The network covers points located as far as 1,000 kilometers at the same unit cost. Two hundred and sixty-six caisses populaires plus 45 branches are on-line. Nine hundred and fourteen terminals are used to process 1,530,000 folios, 3,350,000 personal accounts with savings and 328,000 loans. This computerized accounting system is unique in the banking world today.

The Caisses Populaires Desjardins group is constantly alert to socio-economic changes in the Province of Quebec. It is felt that a group of savings and credit co-operative societies should not be restricted to a limited field. It should be a springboard to other financial activities.

During this four-year period also, the ICA completed its study on "International Financing of Co-operative Enterprise in Developing Countries". Although a joint project of FAO, ILO and ICA work on the study was undertaken mainly in the ICA with the assistance of several experts from other agencies. In particular the study notes the serious gap between the basic requirements for technical and financial support in the developing countries and the resources available, and makes suggestions for arrangements at the international level which could help to meet this need. The two ICA regional offices have continued to undertake considerable educational work on "Co-operative Finance" both in South-East Asia and in East Africa. In April 1973 a regional seminar on Co-operative Credit was organized in Tokyo in collaboration with the Central Union of Agricultural Co-operatives and the Institute for the Development of Agricultural Co-operation in Asia. Among the subjects covered were: a general survey of rural and co-operative credit in South-East Asia and the contribution of co-operative credit to agricultural development.

A Standing Committee on Credit and

Finance was established under the auspices of the ICA Regional Office for East and Central Africa to deal with general problems pertaining to urban and rural credit. In 1972 the Standing Committee was instrumental in coordinating a training programme on "Agricultural Credit Through Co-operatives" sponsored by the Technical Assistance Agency of the Government of Finland. A series of national seminars was organized throughout the region, followed by regional seminars and ending up with an international seminar held in Finland in the autumn of 1972.

The relevant organization within the structure of the ICA dealing with questions of co-operative finance is the ICA Banking Committee which has its Secretariat in the Bank für Gemeinwirtschaft in Frankfurt. Since the last conference, the Banking Committee's activities have included the preparation of a directory of member organizations to contain minimal information about the committee's members. An exchange programme of officials of co-operative banks is under active consideration which would enable young people to become interested in international business.

Since its creation in January 1971, the World Council of Credit Unions (WOCCU) has been responding to the requests of its member confederations—groups of credit union federations or leagues within large national areas or geographic regions.

While the World Council will always continue to serve its confederations, it was felt that it could, and indeed should, do much more to aid the development of people and programmes in the areas of greatest need. Of primary importance was the extension of credit services to low income farmers in the rural areas of less developed countries, particularly through the introduction of Agricultural Production Credit programmes. The World Council realizes that if meaningful and continuing development is to be achieved in interlending and production credit programmes, participation of all interested and concerned agencies is necessary. WOCCU seeks to directly involve economic and social development agencies in these programmes on a global scale. Credit Unions worldwide

reached a total membership of approximately 50,000,000 with savings of over \$40,000,000,000, representing a 6 per cent increase in membership and a 17 per cent increase in assets.

In France during the period under review the Crédit Coopératif's activities were orientated in two directions—towards reorganization and towards developing contacts with neighbouring sectors. The Caisse Centrale de Crédit which is the mainspring of activity, plays a threefold role, comprising a financial resources centre, a credit centre, and that of a financial management advisor.

Around the Caisse Centrale de Crédit Coopératif have been set up numerous instruments, among which are the Banque Française de Crédit Coopératif. Other inter-co-operative establishments are three which specialize in leasing: Intercoop—the first French property-lease co-operative loan organization; Coopamat—a property-lease organization for enterprises of all sizes; and Coopbail—created recently for loan-lease of tourist vehicles. The Crédit Coopératif group also provides co-operative financing of equipment for tradesmen, artisans, and the liberal professions, as well as for such establishments as consumers co-operatives. The most important sector of Caisse Centrale's activity is Crédit Maritime Mutuel with its ten regional banks. With regard to the Caisse Centrale's reorganization programme for co-operatives, an expert managerial staff has been created capable of advising co-operative undertakings on their investments, or when difficulties of an economic or structural nature arise. Specialized cadres for each branch of co-operative activity have also been located permanently on a regional basis throughout the country. The Crédit Coopératif has extended its inter-co-operative contacts over the whole of the activities comprised in the public sector, the private sector, and the social sector.

In 1972 a social sector directorate was created within the Caisse Centrale as a consequence of the closer relations with friendly societies, joint production committees, and trade unions. This has led the Caisse Centrale to participate in the setting up of an "Inter-Expansion" Society for the management of

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joint-investment trust funds.

The Crédit Mutuel also reports that the progression curve for the past four years is eloquent. Since the last Thrift and Credit international conference, deposits have increased from 8,000 million francs at 31st December 1970 to 17,500 million francs at 31st December 1973. Despite a cyclical slowing down in the collection of savings, the figure of 20,000 million francs should easily be exceeded by 31st December 1974.

In the course of recent years the Crédit Mutuel has accomplished a number of important achievements. First of all at a commercial level, it has, in agreement with the Banques Populaires, introduced a new "Inter-carte" service which is offered to members of all the Federations. Then, at a technical level, a new accounting chart has been set up, for a greater precision in accounting will be required so that close and fruitful collaboration can be achieved as between accounting and data processing for the defining of the management systems the Crédit Mutuel needs to acquire. The Crédit Mutuel has also joined the "Ordinateur National de Compensation" (National clearing Computer) for all its transfers within the banking system. Within the

European context, the Crédit Mutuel takes an active part in the work of the EEC thrift and credit co-operative group which, among other things, is studying the problem of harmonization of banking regulations. In this connection, a draft directive of the committee for the harmonization of banking legislations fixed the minimum amount of ownership funds for Credit Unions at 250,000 UC, i.e. about 1,250,000 francs.

Similar developments have taken place among our other sponsoring organizations, in the Japanese Central Co-operative Bank for Agriculture and Forestry, and the Indian Reserve Bank and the National Co-operative Union of India. The international co-operative thrift and credit movement across the world has been progressing and this will be mentioned in greater detail during the proceedings of this conference.

These important developments are outlined as a clear indication that with more effective co-operation between co-operative thrift and credit organizations, we can create the financial vehicles and develop the structural instruments to successfully tackle the problem of reaching the lower two-fifths of the population in developing countries.

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The Chairman next called upon Mr J. BURKE KNAPP to deliver the keynote address, and in doing so he referred once more to the new approach of the World Bank to development policy. He emphasized in particular Mr McNamara's recognition that governments cannot deal direct-

ly with millions of farming families and that intermediate institutions are necessary which can service millions of farmers at low cost through local farm groups, smallholders' associations, country or district co-operatives.

## Personal Saving, Economic Development and Inflation

by J. BURKE KNAPP  
*Vice-President, World Bank*

I have a real sense of kinship with this meeting, because we are certainly devoted essentially to the same purposes and objectives. The mobilization of the savings of the world for produc-

tive investment is our task, especially productive investment in the developing countries, and one only needs to look about this room to understand that the developing countries play



Keynote speaker, Mr J. Burke-Knapp, Vice-President of the World Bank.

an important role in this organization. I am sure that they share with us and with the World Bank again the same objectives.

The World Bank itself is, after all, an international co-operative institution. That is exactly what it is. Our members are about 120 governments, and we have a Board of Governors and a Board of Directors which is representative of these shareholder governments and, if you like, organized on the democratic system that people vote according to their contributions to the capital of the institution. We have an international Board which directs our affairs in Washington, and which fully represents all of the membership and all of the varying interests of the countries participating in our institution.

We have a family of institutions organized under the heading of the World Bank group. The World Bank itself is the senior member of the family, so to speak, and the World Bank itself is organized on a business basis. We make loans to developing countries around the world at a rate of interest which is not quite a commercial rate. Our present lending rate is  $7\frac{1}{4}$  per cent, but it is a solid interest rate, and we finance ourselves by borrowing in the international capital markets. We long ago found, however, that there were many countries which were too poor, too early in the stage of their economic development, or already burdened with heavy external debt, and which could not bear the terms of a World Bank Loan, and therefore

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we organized something called the International Development Association (IDA), which is again an international co-operative institution organized along the same lines, but its funds are provided by governments as free contributions to the organization, and we are therefore able to lend out this money on very lenient terms—50 years without interest, to be precise. We make only a small service charge to cover our administrative expenses.

This money is also used for productive investment. We are just as rigorous in selecting the purposes for which that money is to be used and the manner in which it is employed as we are in the World Bank itself, but on terms suited to the repayment capacity of the poor countries. This fund enables us to carry out missions in the developing countries which would not be eligible for normal World Bank loans. I might point out here that in this year we will be lending about 4 billion dollars to developing countries, of which 3 billion dollars comes from the World Bank and 1 billion from the IDA, and our total portfolio of loans outstanding is reaching towards 25 billion dollars distributed among over 100 countries around the world. We bear the name World Bank and we are in that sense a financial institution, but there has been an historical development of the Bank in the 25 years of its existence towards being more and more what we like to call a “development institution”. We started out on a more or less conventional basis, financing the kinds of projects which banks finance in the domestic economy of most countries. We financed largely what we call infrastructure developments—power companies, railways, ports and highways, providing the basic public services in the developing countries, which seemed to us at the time, in the first decade of the Bank’s activities, to be a necessary underpinning for the development of productive economic life. We still do a good deal of financing of that kind which is capital-intensive and requires large commitments of money as these large projects are carried out.

But over a period of time we have come to realise that development is a very deep-reaching economic and social process, that providing this sort of basic public service was

only laying the groundwork, and that moving on from there to evoking the productive capacity of developing countries meant reaching much deeper into the economy, into industrial, commercial and particularly agricultural life.

For after all, if we look at the developing countries as a whole, the great mass of the population is engaged in agriculture and in agricultural production, and we came to realise that some of the theories about the benefits of development trickling down to the poor elements of the community, especially in the rural communities, just did not work very effectively, and that the problems of agricultural development had to be tackled directly, and tackled, so to speak, at the grass roots. Therefore over a period of time we have evolved, I would say, much more into an economic development institution in which we are engaged in many far-reaching studies, both functionally in different subject fields and also particularly country by country in trying to ascertain what are the latent development capacities in a country, and trying to adjust our lending programme in such a way as to evoke those capacities. Even within agriculture we felt we were not really getting to the roots of the problem and we have become increasingly conscious of the productive capacity which is latent in the 40 per cent submerged element in the rural communities. We are tackling this problem out of deep sympathy with the plight of these peoples. But we are not tackling it as a welfare measure; we are tackling it because we have become convinced that with the proper organization and provision of inputs and the proper provision of credit and marketing facilities, there exists in this submerged 40 per cent great productive capacity which can be mobilized to support food production, to support export crops which can sustain the balance of payments of these developing countries, and which can provide sometimes—frequently for the first time in the life of these people—an opportunity to participate in the economy and in the modern society and to make an effective contribution to development. . . .

Neither we nor any other institution on an international or even a national scale can

reach down to the level of a poor farming community, except through some kind of organization, and we have been devoting a great deal of study and time to trying to define and ascertain what kind of organization exists, what the experience of different countries has been in different forms of organization, and trying to act as a clearing house for the exchange of information as to how to go about these things. Organizations like your own here, in particular the ICA and WOCCU, are to be warmly congratulated for holding a meeting like this and bringing your membership together to exchange experience on how programmes of this kind can be most effectively carried out. Our institution, like yours confronts the fact—sometimes the harsh fact—that we can carry out our missions only as we can raise money, and raising money means savings. We have to mobilize savings to bring them to bear on productive investment in the world that we serve, and our money comes from governments in some part. There is no magic about a government. To the extent that we get money from governments they too have to raise it from taxpayers. A large part of our money, particularly in the World Bank, comes from the private sector. We sell bonds to individuals and private institutions all over the world, and in that sense we are directly dependent upon the mobilization of personal savings and offer a reasonably profitable but also reasonably useful, we hope, and productive outlet for those savings.

One of the most striking facts about the process of development in the world is that, however much may be done by external agencies, bilateral agencies, and multilateral agencies like the World Bank which are doing a great deal, most of the developing countries raise most of the money for development at home. People sometimes have the false impression that developing countries are just on the end of some sort of a breadline from the rich countries. On the average, something like 85 per cent of the resources for development are raised in the developing countries themselves. This we think is a very impressive contribution when we consider the level of living in a developing country.

We have a rule of thumb that if a

developing country is not generating more than 10 per cent of its gross national product, and is not devoting at least 10 per cent to development, it is not making much progress. Viewed against the growing size of the population in most developing countries, and given whatever external aid that country received, it is still true that to make real measurable economic progress the level of savings in that country must be raised above 10 per cent. Fifteen per cent marks an intermediate stage, where it may be beginning to tackle the problems of development. But those countries that are making real economic progress in the world are raising more like 20 per cent and devoting more like 15–20 per cent of their own general output to investment. Governments can save by taxing and by not spending all the tax money, saving some of it for investment. But governments can never do the whole job or even the main part of the job—the only exception being a wholly socialist country. In most developing countries the burden of savings rests on the private sector and upon the capacity of the private people, private households, to save and productively to invest.

Private savings may go in part directly into investment, as a farmer may squeeze out of his crop a little money to employ for perhaps the purchase of a draught animal or to improve his housing. That is direct saving by the investor. This happens in building and loan associations where savers are financing their own housing development. But most savings in quantitative terms must be transferred from the saver on the one hand to the investor on the other hand through savings institutions, and this is the great role that is provided by intermediary financial institutions like many of those represented here—and again the World Bank. We are just an intermediary financial institution collecting savings on the one hand and devoting them to financing production on the other, and one of the things that we have learned very much in developing countries is that this household saving, whether directly invested or transferred to intermediary institutions, has in very large part to come from the poor elements in the community. It is ironic but true that the wealthy people in the community may save

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more individually, but when we look at the nation as a whole, unless there is a savings effort at the grass roots level, we cannot generate that amount of savings necessary to produce economic progress.

What is the outlook for personal savings in the world? I think it has to be said that it is not very good, and the most immediate reason one cannot be too happy about the outlook is the plague that is persisting in the economy and finances of the world today—inflation. There is one extraordinarily bizarre exception: the oil countries of the world today, thanks to a revolution that has taken place in their trade, are accumulating vast savings on a scale that is quite overwhelming for our financial mechanisms on the world markets. This happens to be of particular interest to the World Bank, because we are turning to these oil countries to mobilize their savings for the purposes of the World Bank, and just in the last few months we have sold World Bank bonds in the amount of some 500 million dollars to oil countries in Iran and the Persian Gulf. This is quite an extraordinary phenomenon, but most estimates have it that within the next five years, say by 1980, there will have accumulated in the hands of oil-producing countries something over 500 billion dollars. In other words, in terms of the operations of the World Bank, a pretty large institution, a few crumbs off the table of the oil-producing countries will keep us going. We are trying to mobilize the funds from these countries, and these countries are themselves setting up institutions to assist in the developing countries.

Kuwait has a population of some 800,000 people, and oil revenues of several billion dollars a year. There has been a Kuwait Development Fund for some time which has been using some of its oil revenues to finance poor Arab countries. They have now decided to expand this operation on a world-wide basis and to set up a fund to assist developing countries in Africa and Asia, and maybe eventually in Latin America. They have endowed this institution with 3½ billion dollars. But that is about the only bright light on the scene as far as savings are concerned.

There are far deeper forces, political

and social, that determine the volume of savings, and to my mind the most fundamental is that savings are generated in communities where there seems to be a degree of political and social stability and personal security. Where there is a police state and people live in fear of their lives and in fear of their property, what is the incentive to save? Looking at it from the point of view of an individual or a family, savings are for the future of the saver or his children, his family. But there is more to it than that. Savings, thrift, the propensity to save, is a part of the social ethos of countries. A great deal of study has been devoted to the question by sociologists, without really coming to very satisfactory answers as to why this ethos exists in some communities and some societies and not in others. In different countries there exist different ideas about the relationship between consumption and saving

We in the West have done a great deal to throw over old ideas of thrift, savings and confidence, and the wish to provide a future for our communities and our families. We have done much to encourage the profligate use of material resources: the "keeping up with the Jones's", the gadgetry, the fantastic material consumption which western societies have developed: and in this sense we have set very bad examples for other societies—in fact impossible examples for other societies. Twenty per cent of the population of the world consume over 90 per cent of the energy resources. Where does that leave the other 80 per cent which, by definition, can never achieve that level of consumption? The consumption of steel per capita in the United States is 100 times that of Indonesia. It really does not make much sense to talk about a world community when disparities of that kind exist. They will in fact never be closed, but they cannot even be reduced unless Western societies organize themselves a little better in terms of the level of conspicuous consumption of material goods. The Shah of Iran has made himself very unpopular by passing strictures like this upon Western society, but maybe he has a point. Maybe this point is coming home to some of the younger generation. Youth movements in the Western societies are scorn-



ful perhaps of some of these material advances that their elders have made. They may in the end be showing very good sense.

Let us talk a bit more about the poor countries. One can only be inspired to see how a country with a per capita income of 100 dollars can save out of that level of production and devote even 10 per cent—a minimum level—to development. The remarkable thing is that savings have much more relation, not to the levels of living and the standards in a country, but to the pace of advance. If a country can be lifted on to the curve of increasing production, savings begin to accumulate because people just have not adjusted to what is available. But one of the most challenging tasks for those interested in development is to get that momentum established, to get ahead of the game, and with this come the savings that can carry on to the next stage of development. In the post-war years when Japan leapt out of its disastrous situation by a rapid increase in production, that production was not consumed, so that Japan reached extraordinary levels of savings. One of the most effective ways of measuring progress is not by percentage of gross national product invested, but by how much of the increase in gross national product is saved—the marginal product. In Japan over 40 per cent of the increase in production went into investment rather than into consumption. The Japanese “economic miracle” that we hear so much about is attributable exactly to that extraordinary burst in savings. The trick of savings is to keep ahead of the game, increase production, and before people come to live up fully to their possibilities, to seize that margin of savings. The trouble is that as the French say, “l'appétit vient en mangeant”; people see what is happening in other countries and the force of example set by some other societies inspires higher levels of consumption. This is what is happening now in Japan. Consumption is catching up with productive resources and has unfortunately tended to reduce the volume of savings.

Suppose that the political environment and the social ethos are favourable in a country to savings effort, then we come to the question that savings (except in those rare

cases where they are directed to a man building his own house or a farmer developing his own properties), if they are to be transferred to financial institutions, to productive investment, must be based on a unit of account. That unit is money, and here we come to the question of inflation and the degeneration in the value and standard of money.

As we look around these days, not only in the Western countries but in the developing countries too, where inflation has been imported largely from abroad, the prospects are rather dismal. Why should people save in a money medium when they see it depreciate constantly before their eyes? Why should they save when their past savings are eroding and disappearing? This has always been happening. There is a basic inflationary bias in most of our economic and financial systems. It had been going on at the rate of 2 or 3 per cent a year, but we are now reaching levels of inflation which seem to be epidemic and which carry a much greater threat to the entire system of financial institutions—including the World Bank. We are getting now to what people call “double digit” inflation—over 10 per cent.

I do not know if you all know the “rule of 70”. Since I am not very good with a hand machine, I always do a lot of my calculations by the rule of 70. If, for example, something is increasing by 7 per cent per annum, using the rule of 70 we divide that 70 by 7 and get 10, and it takes 10 years to double. If something is going up by 10 per cent per annum it takes 7 years to double. If something is going up by 14 per cent per annum it takes 5 years to double. Two per cent per annum is 35 years. It always works—a strange phenomenon. Anyway, by the rule of 70 we can measure how long it takes for anything to double at a given rate. Looking at it in terms of the value of money, we can measure how long it takes money to fall to half its present value. Going up by just 10 per cent (I am not talking about “double digit” inflation; let us be conservative!) per annum it takes 7 years for the value of money to fall to half, it takes another 7 years for it to fall to a quarter, and so on.

That is the kind of environment in which our economies and our financial sys-

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tems today are trying to operate. Inflation really is poisonous to development, to economic progress, and certainly to savings and thrift. It stimulates consumption. People buy rather than save. People hoard, which means money going into unproductive use. People hoard gold, commodities, postage stamps, antiques, and so on. This simply pulls money out of the productive stream of the community and renders it useless. It distorts investments. Investments go into the wrong kinds of things, to serve the wrong kinds of consumption. It has vicious effects in terms of the distribution of income.

In Brazil, where I spent a year as head of an economic mission, the Brazilian rate of inflation was 75 per cent to 100 per cent per annum. The currency degenerated within a period of about 30 years by a proportion of 1 million to 1! What was incredible in a country with inflation like that was the way in which energies and resources were all devoted to the wrong purposes. The productive efforts of people were going into playing the game of speculation on real estate and commodities rather than into productive activities, with gross distortions of the flow of income, losses to the poor, and a floating tide of inflation profiteers. Then we had attempts by governments to force controls, to introduce rigid enforcement of price controls, materials allocation, production allocation, all to the detriment of an efficient economic mechanism.

Last, but by no means least, in this present company, inflation destroys financial institutions, for when money becomes that nearly worthless the stock-in-trade of the financial community is rotten. Nobody wants money. Everybody wants to spend money on goods or conspicuous consumption.

There are ways of dealing with these problems. It is the responsibility of governments, through fiscal policies and monetary policy and incomes policy, to deal with those problems. The fact that they have arisen shows the failures and deficiencies in public policies, and there is no public policy that is going to do more than ameliorate these conditions. Once inflation has caught hold it cannot be

stopped short in its tracks. It can only be slowed down and ameliorated over a period of time, and only with the understanding and co-operation of all elements in society. One of the prime considerations of this conference ought to be the effects of inflation on the institutions and purposes for which you have gathered together.

A word or two about interest rates: there is a wrong-headed approach to interest rates, particularly in a time of inflation. People say: keep interest rates low; that with inflation at such a high rate they cannot afford to pay higher interest rates. Inflation or not, if interest rates are abnormally low then many unfortunate things happen. It encourages investment of a capital-intensive kind. Many developing countries have low interest rate policies. This fosters unemployment, for if people can borrow money cheaply and invest it in capital goods they tend to make capital-intensive rather than labour-intensive investments. Higher interest rates will encourage the more effective employment of labour, which is the great unused resource of most developing countries. Low interest rates, when administered by institutions—and particularly by public institutions—simply encourage favouritism, not to say corruption. As a matter of fact, although low interest rates are often advocated and meant to reach poor people, those funds often find their way to the middle-income or even the richer people, through some illegitimate channels, and the benefits do not fall where they were expected to fall. But worst of all, if low interest rates prevail in a country, they prevail both on the borrowing and on the lending side, and it means that savers do not have that incentive to save which is given by their getting a fair reward for the savings that flow to financial institutions. Interest rates must be raised to levels that will effectively mobilize and attract the saver's interest.

For the World Bank, like all financial institutions, savings are the staff of life. I would like to vary that a little now and to say that man does not live by bread alone. Man lives by bread, love and savings.

# Motivation Problems

Under the chairmanship of MR R. G. TIWARI the Conference began its consideration of the main theme of the Conference —“DEMOCRACY AND EFFICIENCY IN THRIFT AND CREDIT CO-OPERATIVES”—with a discussion of Motivational Problems for which working papers had been contributed by Messrs P. E. Charron (Quebec), R. Coste (Paris) and P. Lacour (Paris).

MR CHARRON, General Secretary of the Quebec Federation of Desjardins People's Banks (Canada) dealt first with the relations between the three concepts, democracy, motivation and efficiency. A co-operative is a democratic economic organisation in which the persons taking part are at once owners, users and beneficiaries. The Co-operative is administered by persons elected or appointed on a basis of equality: one member, one vote. Co-operation is thus related to political democracy, as Abraham Lincoln defined it, because they are both inspired by the same philosophy based on the conception of the human being and his responsibilities towards the common welfare of Society. Co-operation, as a human activity, also calls for motivation, which is indispensable for activities which aim at efficiency.

The co-operative philosophy dissents from the liberal assumption that social welfare is best served when citizens pursue their own individual interests. The main-spring of co-operative enterprises, on the contrary, is a will to achieve common good. There is a philosophy of solidarity which leads them to combine and co-ordinate their members' personal efforts and which entitles them to a place in any democratic society aiming at the development of people and the social environment

in which they live their lives. The idea of a democratic society for development covers all activities in the life of citizens and society—economic, social, cultural, political, which are all inter-related—and citizens must be encouraged to participate actively in them. Thrift and Credit Co-operatives correspond to these requirements and, in pursuit of their proper objectives, contribute to the development of this kind of society and its citizens.

If the members, leaders and personnel of thrift and credit co-operatives are to actively participate in their societies' operations and discharge their functions fruitfully, they must be fully conscious of the societies' human and social, as well as their economic objectives. Mutual credit acquires moral and social dimensions when members' self-help actions originate from moral and social motives. Motivation becomes more necessary as their co-operative activities become more demanding. Co-operative education enlightens them on their objectives and strengthens the conviction which enables and encourages them to act, in all circumstances, as true co-operators. (See also extract.)

PROFESSOR ROGER COSTE, Director of Studies, Economic Research Centre on Thrift, Paris, began by describing Co-operation as a system designed to create efficiency and by enumerating six general motives for co-operative action. The first is defence against social adversity. The second is the human need to love and be loved. The third is the need to be attached to a social group, to take part in collective life. The fourth is the need for solidarity and mutual exchange. The fifth is the need to introduce notions of morality into economic activity. The sixth is

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human need and poverty, in industrialised societies as well as those from which famine has not yet disappeared.

Motivations specific to savings and credit co-operatives may be classified as (a) requirements of co-operative institutions and (b) requirements of individuals and families. The former arise from the efforts of co-operators to develop enterprises which need financing both for their daily activities and their investments. Co-operation in the provision of credit can establish a financing service at the most favourable rates, make possible a just appreciation of risks and enable co-operators to assume at different levels joint responsibility for credit obtained. The latter arise primarily from the struggle to escape from usury, because mutual credit can maintain reasonable rates of interest. A second motive is the requirements of isolated agricultural groups. A third is the need of housing construction and equipment. It is the failure, until very recent times, of the commercial banking system to take any interest in the money problems of the "small man" that left the vacuum which co-operative credit is engaged in filling. Today the traditional Bank is increasingly aware of the private customer and its endeavours to attract him are obliging Co-operative savings and credit societies to adapt themselves to people's changing needs and habits.

Professor Coste distinguished three kinds of permanent motivation: the spontaneous reactions of individuals against poverty; reactions induced by human nature; reactions in face of economic progress. The first group included solidarity, that is, recourse to combined action; provision of credit on the most favourable terms and replacement of legal guarantees by mutual knowledge of neighbours and workmates; active defence of

the economically weak and incompetent. The reactions induced by human nature result from the desire for liberty, independence, responsibility and sociability which makes people prefer a kind of organisation in which they are treated as human beings and feel "at home"—a family or social bank. The third group of motivations becomes increasingly important with economic progress, rising incomes and accumulation of real and personal property. The two basic factors concerning the Co-operative Movement are the expansion of credit and the growth of savings. Expansion of credit is not merely an accompaniment of economic growth and rising standards of consumption, reflected in the purchase of consumer desirables, but also a need of the family enterprises which, far from being thrust aside, are still an important sector in industrialised economies. The growth of savings is assured by the rise in incomes and it is necessary for them to be employed to sustain economic growth. The volume of savings, in France at least, is highly variable, as a result of the variable behaviour of consumers. A further result is the phenomenon of false savings, and Professor Coste's views on this subject are stated more fully in the extract from his paper. There are, however, stable factors and the researches of the organization whose studies Professor Coste directs show that the primary motive for saving in 44 per cent of the cases investigated was precaution—the creation of a reserve against future troubles and eventually a patrimony to be bequeathed. These motivations are not likely to disappear, even though the improvement in the situations of some classes may bring about a decline in motivations which have linked the savings and credit co-operatives with the fate of the underprivileged. So far economic and social progress have left inequalities which

are as flagrant as ever, and so long as social injustice on a large scale remains, motivations for co-operation will persist.

Turning to the future, Professor Coste declared that while the original tasks of the credit co-operative society are not yet completed, new tasks are already appearing with new prospects and new problems. His views on this phase of his subject are expounded in the latter part of his paper.

MR P. LACOUR, President, Union du Crédit Coopératif, Paris, expressed the opinion that too many theoretical studies by economists of motivations for saving were disappointing in that they were of no assistance in forecasting fluctuations in saving or in calculating saving in the aggregate. He attached more value to the practical and statistical research, carried on since 1935, which had resulted in conclusive figures on savings and patrimonies in different social groups and their variations in value and character during the different periods of a lifetime. They also permitted the calculation year by year of the total mass of saving by enterprises and by households. The researches carried out by the Economic Research Centre on Thrift was especially valuable and the Conference owed a debt of thanks to Professor Coste for making their results available in his paper. Mr Lacour's own discussion of motivations revolved around the distinction between "accumulators" and "enjoyers", who represent the two extreme attitudes to saving. The "accumulators" belong to the world which is disappearing, the "enjoyers" belong to the modern world which is breaking with the earlier generation. Today the "accumulator" type represents under 40 per cent, the "enjoyer" over 60 per cent, of the population. The attitudes to investment also differ, the younger generation preferring

current accounts and cheque books and investment in shares and debentures, the older generation being more attracted to savings banks and interest-bearing bank investments.

Saving by individuals plays an increasing part in the economy; it comes from wage-earners and is aimed, to the extent of one-quarter, towards housing, the rest being a false saving which flows voluntarily into the banks for the sake of liquidity. Half of household thrift flows into the capital market, less and less into the investment market, more and more into the money market.

Mr Lacour devoted a large section of his paper to the action of co-operatives in arousing the desire to save. The most urgent motivation at the present time he considered to be the struggle against inflation. His suggestion for action in the form of a resolution of the Conference for a preliminary working party consisting of practical administrators of savings and finance and of theoreticians, convened in order to formulate the technical bases of solutions to be recommended to political authorities, was discussed in the Drafting Committee and ultimately adopted.

### Discussion

MR R. SOUPRAS, Director General, Fédération des Caisses d'Economie du Québec (Canada) dealing with the consequences of inflation, pointed out that inflation had already forced a regrouping and concentration of co-operative and mutual credit in Quebec. By raising interest rates it had also enlarged the gap between the industrialised and the developing countries which needed aid at no more than 2 per cent.

MR T. BRAUN (France) pointed out certain conclusions to be drawn from the exposés presented. Mr Knapp had shown that investments on the world level

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were not always the best formula, quoting Kenya as an example. He accepted the conclusions of Mr Charron on democracy in the economic system, and those of Professor Coste on motivation. Mr Lacour had shown that inflation is continuous and at its present level is a menace, not only to the public, but to the co-operative organization of thrift and credit. Industrialised, as well as developing, countries need opportunities to borrow and loans should retain their social character. High interest rates made this impossible. The present rates were already impossible for some countries.

MR LACOUR replied that inflation limited to 3, 4 or 5 per cent was permissible. The present figure was catastrophic. He made two suggestions: first, that the Co-operative Movement should recall why it was created and join in the struggle against inflation; second, that it should think solely of the savers. Provident savings by modest people must be protected. Savers should receive a premium. Inflation itself was a factor in the increased income of the State which it could use to regulate increasing prices. The Co-operative Movement ought to declare emphatically that borrowers must repay loans in stable money and the loan contract should provide for this. The further inflation proceeded in the developing countries, the higher the cost of raw materials. How could exchanges be made equitably? Here was an opportunity to affirm the value of Co-operative organization.

MR M. A. QURAIISHI (Government of India) described the situation of

his country, menaced by the population explosion which could double the number of inhabitants by the turn of the century. Co-operative credit had an essential role in integrated rural development to help the population living below the poverty line. New experiments were being made to adapt the rules of co-operatives to help the weaker section of the people. Funds were being reserved for lending to small and marginal farmers receiving supervised credit. The Fifth Plan provided for the development of intensive agriculture and subsidiary occupations, and the rehabilitation of poor areas. There was need for new types of co-operative supplying varied types of credit, as well as farm supplies, with an obligation to market members' produce. He deplored the influence of political motivations and party patronage. It was essential to discourage political interference in Co-operative affairs.

MR B. TRONET, Financial Director, Kooperativa Förbundet (Sweden) recounted how the Consumers' Co-operative Union KF during the inflation of 1952 had issued a development loan at 3 per cent for 20 years if inflation continued. In 1972 KF repaid Kr. 150 for every Kr. 100 lent. Today a wider application of the same method was required.

MR LACOUR, in replying to the discussion, thanked the Indian delegate for his contribution. He explained that, subsequent to the study group on inflation, he would suggest convening a more general meeting in collaboration with the ILO and other international organizations to prepare policy recommendations.

# Education and Training

Under the Chairmanship of MR P. E. CHARRON, the Conference began its second day by discussing Education and Training which was introduced by DR S. K. SAXENA, Director, ICA.

Dr Saxena chose to treat his subject mainly within the context of the developing countries, education and training in industrialised countries having been thoroughly dealt with in the preceding Conference. Introducing his paper, he emphasized that the central point in education and educational programmes was their relevance to the working and ideology of thrift and credit co-operatives. They should be relevant, first, to the overall objectives of such co-operatives, that is training programmes must constantly emphasize the need for thrift among the members, as has been confirmed by experience among credit unions in certain parts of Africa and Latin America. Secondly, education should develop cost consciousness, the credit society being a business organization which cannot afford to advance credit at concessional rates. Third, credit should be extended so that it performs a distinctly productive function and is not used only for consumption requirements. This may lead to supervision and a series of relations between credit society and member that tend to assume an educational character, in order to ensure that credit is used in such a fashion that it creates its own means of repayment. In this, members' education becomes relevant to the overall objectives of the thrift and credit society.

But education must also be relevant to the three different audiences of which a co-operative society is composed—ordinary members, elected committee members

and other leaders, and professional staff. Relations between these groups tend to be fluid, and leadership in any case has to be replenished. In some developing countries the knowledge and expertise of the professional staff have not been given the attention they deserve. Ordinary members need a general acquaintance with co-operative principles and a clear insight into the reciprocal obligations which unite the members with their society. Elected officers need, in addition, a knowledge of co-operative law and increasingly varied training as their society performs functions of increasing complexity, for it is the committees which immediately supervise the specialized work of the professional staff. This last requires training in all the jobs involved in the day-to-day running of the Society—mobilization of resources, deployment of funds, maintenance of liquidity ratios, principles observed in lending and so on. Two other categories needing special consideration are women and youth.

Dealing with educational techniques, Dr Saxena emphasized that they must create auto-activity on the ground level and the multiplier effect must be as widespread as possible. Education through groups should in time acquire a momentum of its own. Long-distance teaching, for example correspondence courses, is economically extremely important. There is an urgent need to explore the relation between the production of literature, the promotion of literacy and co-operative development, as was indicated by the Teheran Conference on the Eradication of Illiteracy in 1965. All efforts should tend towards functional literacy as a way of preparing man for his social, civic and economic

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roles. The ICA is hoping to conduct a workshop on these problems in 1975, possibly in Nigeria, or elsewhere in West Africa.

The large number of training institutions already existing in the developing countries are doing excellent work, but the teaching in many of them is criticized as being too theoretical. The field situations are not accurately and adequately reflected in the work of the class-room and there is great need for constant experimentation and innovation. The re-orientation of teachers at different stages is also important and the type of approach adopted at Comilla in Bangladesh should be examined with a view to its emulation elsewhere.

The question of the funding of education is partly structural. The co-operative unions which are the apex educational bodies tend to be sharply divided from the business enterprises and may be treated like poor relations. When there is a decline in business the first cut falls on education, partly because the allocation of funds rests with the management, not the body which appreciates the role of education, partly because the relation between education and the economic advancement of the society is not easy to demonstrate. The ICA currently has a project in India looking into this question. The ICA Regional Offices in South-East Asia and in Africa are also aware of the need for manpower planning to determine the numbers and categories of staff required over a period of time as a basis of training requirements.

Training facilities for educators from developing countries are now provided by a number of countries in Europe and North America. There is some need for better co-ordination and exchange of information on selection, orientation of teaching staff, teaching methods, produc-

tion of visual and other aids, etc. The ICA recently set up a committee called the Advisory Group on International Training of Co-operators (AGITCOOP) due to hold its first meeting in Hungary in September 1974.

MRS MARY THOLLEY (Sierra Leone) introduced her paper on the Role of Women in Thrift and Credit Co-operatives with special reference to the experience of Sierra Leone, and declared that there could have been no better way of bringing women together and helping their economic and social advancement than the thrift and credit movement. Of the 1,000 co-operatives in that country, 700 are thrift and credit societies, and in them the women are very active. Women's responsibilities in the household draw them automatically to such societies in countries already industrialised, but even more so in the developing countries where, although economic change is opening up new opportunities for consumers, many of the social services are still lacking.

With the increasing entry of women into part- and full-time work on their own account or for employers, they are handling money on a larger scale. This accompanies their improved status. It is often at the instigation of women that credit societies have flourished in housing estates, blocks of flats, housing co-operatives, village institutions and schools. The very presence of women is sufficient to motivate the organizations.

Illustrating her general observations from first-hand knowledge and practical experience in co-operative credit organization, Mrs Tholley stressed as essential the dissemination of co-operative information and education among the membership. The women of Sierra Leone are very receptive to co-operative education and make practical use of their training in a remarkable manner. The



majority, however, are not active trainers themselves, because of the passive role assigned to them by tradition. Nevertheless many have come to realise that the training which they get through active participation in the affairs of their co-operatives has given them added advantages in the sphere of national affairs. The role of the thrift and credit societies could become still more important if there were sufficient numbers of educated women available to form a sound basis for accelerated development. The time is perhaps not far distant when the better-educated women will be attracted to participate, when they realize how much the illiterate but dedicated women have been able to accomplish.

#### **Discussion**

The first intervention in the discussion was made by MR HORII (ICFTU) who related some of the difficulties encountered and the solutions adopted by his Confederation and its affiliates in promoting educational activity among co-operatives in developing countries. He illustrated one difficulty by the history of a group of 130 trade unionists, labourers and clerks, who wished to free themselves from almost permanent indebtedness to money-lenders. The cardinal difficulty was to convince them that what would really emancipate them was not a gift of capital for lending from the ICFTU and the International Plantation Workers' Federation but the capital they accumulated from their own saving and the businesslike management of their Society. In three years they had saved altogether 50,000 rupees and with a matching loan from their employer, were able to pay off their money-lender creditors in about two years.

In the year 1972-73 the ICFTU's Asian trade union college carried out two experimental projects at Aurangabad in

the Indian State of Maharashtra. The idea was to bring 50 families together in communal living for a period of three weeks. The people concerned were agricultural wage-earners and very marginal farmers. They were recruited from varied castes and communities and included Harijans and Muslims. For the period of the experiment they were withdrawn from the misery they had endured since birth and given from morning till night training in new kinds of behaviour and new attitudes. These experiments have received recognition from the Government of India and have been followed up by a larger-scale project for a co-operative village, supported financially by the Central Bank of India. This kind of integrated approach, Mr Horii concluded, might indicate one possible direction for future advance.

DR C. D. DATEY (Reserve Bank of India) pointed out the vital importance of training the members of management committees of co-operatives, especially in countries where the State becomes a partner in co-operative enterprises and the uninstructed membership is apt to conclude that these enterprises are to be managed by Government. Another important need was the training of the staffs of training institutions, especially in large countries with a diversity of languages and traditions. Finally, the education of politicians and legislators and administrators has relevance in countries where Co-operation is regarded by the State as an instrument of economic development and is given financial and other kinds of assistance. This aspect of education receives insufficient attention in India and other countries and the ideology and principles of Co-operation are liable to be forgotten.

MR J. K. DU MOUCHEL (Ghana) asked whether motivation carried people forward to education or education gave

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rise to motivation. In any event the two go hand in hand: education was essential in African countries because they are in a state of transition from a semi-monetary to a fully monetary economy, in which women go out to work and give their children money to buy food instead of giving them rice at home to take to school. What do the children do with the money they suddenly find in their hands? The problem in the developing countries is the lack of facilities for saving. Co-operative education should be slanted in such a way as to create the necessary trust to convince people that they should save. In Ghana much of the money paid out by cocoa-marketing companies to the producers is hidden or buried in the ground. It goes out of circulation and becomes unproductive, because the necessary infrastructure or pattern of facilities does not exist. So far as young people are concerned, Co-operation should be seriously considered for inclusion in the school syllabus. Once again, questioning reveals that young people would save more if some sort of bank were available. It is at this level that co-operative education must start.

MR H. BENZING, of the Friedrich Ebert Foundation (Federal Republic of Germany), mentioned the variety of ways in which his Foundation worked with other kinds of free associations—co-operatives, trade unions and community development agencies—in the developing countries with encouraging results, but also considerable difficulties. The expectations aroused in the co-operative sphere are so enormous that the Foundation hardly knows how to meet them, even remotely. The great difficulty is, given the traditional training courses and the traditional Co-operative institutions, to set up programmes which are relevant to all those who do not yet belong to the Co-operative fold. The main

problem is to adapt the know-how, which is so important for Co-operative association, so that it can be accepted by our partners. The step from Schulze-Delitzsch and Raiffeisen to the concrete situation prevailing in the developing countries is a very hard one to take.

MR A. I. CHOWDHURY (Bangladesh) described the present difficulties in the way of thrift and savings in his home country with its 75 million inhabitants, an average of 2,000 per square mile. Bangladesh is one of the countries worst affected by the population problem, but the great problem arising from the recent war is the destruction of the economy, and the task of rebuilding it in the face of recurrent tidal waves and inundations. The problem of education is particularly acute. Co-operative education is not really available in the true sense of the term. The Comilla project is very small in comparison with the great number of people in the country. A day will come when Bangladesh will lead in co-operative education. If democratic concepts are implanted in the home, then the doctrine of mutuality and co-operation will be successful in days to come.

MR P. E. WEERAMAN, Director, ICA Regional Office for South-East Asia (India), reported on an experiment in co-operative education at the field level with 15 co-operatives in one neighbourhood in India. After two years a series of social changes is visibly taking place as a result of intensive education in co-operative principles and practices. The members are taking to better methods and techniques of agriculture and also adopting different attitudes in their social life. They work together irrespective of differences of caste and religion. Co-operative societies, however, do not find enough money for co-operative education. Money for co-operative education comes mainly from the State. So long as co-operative societies

adopt this attitude, co-operative education will fall short of what is needed.

MR M. A. QURAIISHI (Government of India) amplified the remarks of Dr Datey by giving statistics to convey the magnitude of India's co-operative educational problem. There are more than 158,000 primary co-operatives spread over 567,000 villages with a total membership of 34 million, whose interests are looked after by a huge staff of half a million. Millions of members have received some training, but not much can be said about its quality. A great weakness is the number of members of Parliament and State Legislatures who are office-bearers in the societies at higher levels and who are untrained, although they are assumed to be trained. The members receive training in the objectives and benefits of co-operative thrift and credit, credit programmes and the need for effective participation. Great emphasis is laid on youth training, but there is a lack of resources. Because of the weakness of the primary societies training has to be done at district level by the National Co-operative Union of India. The educational programme is not linked with the business interests of the members and the district unions of co-operatives have no direct day-to-day contact with the farmer-members. However the development officers of the 5,000 community blocks give guidance on all matters relating to farming. As education programmes are at present directed mainly towards heads of families, women are largely neglected.

For staff training there are 60 junior training centres spread over the country, 14 co-operative colleges at the intermediate level and one at apex level, known as the National Institute of Co-operative Management, located at Poona. This system takes care of the paid staff, but nothing is provided for members of

committees. In 1973 the Government of India set up a committee to survey the existing structure of co-operative education, including its policy, direction, guidance and co-ordination. Its report is now under consideration. It is also recognised that a proper system of selection for chief executive posts has become imperative.

MR R. N. CLERIDES (Cyprus Central Co-operative Bank) described the system of school savings banks in his country. (See extract.)

PROFESSOR H. DESROCHE (Collège Coopératif, Paris) mentioned that the French Co-operative Movement had for 15 years possessed an institute which received from 100 to 150 trainees from 30 to 40 different countries each year and served as a very interesting laboratory for co-operative training on the basis of mutual exchange of experience. In his view there were three new problems, involving the relations between (1) training and action; (2) training and research; and (3) training and universities. With regard to (1), progress and contemporary innovation are leading us further and further away from the didactic type of teaching to more experimental training based on real life and experience exchanged with others, analysed, criticized and processed by experts. Attention should be given to the problem of exchange of experience in the training of men whose job involves action and who, for a given period by sabbatical or any other type of leave, can go back to the school bench to improve themselves as managers and men of action.

With regard to (2), a good learning tool is to think over one's experience. That is why much attention should be given to the exchange of experience between co-operatives in the older and the newer countries through sponsorships, co-partnerships and mutual aid - as Mr Moreau has been sponsoring credit co-operatives

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while training his own staff. With regard to (3), we find that of the 150 people who come to us every year, there are perhaps 20 who can take their PhD at the University and present a thesis based on their own experience. The question of Co-operation in the Universities is important because there is a great reservoir of talent and capacity, generosity and sympathy for co-operatives, as well as curiosity. There is an enormous potential to be harnessed and used for co-operative training and research.

MR J. MOREAU (Crédit Agricole, France) gave an account of his experience of exchanges of trainees between France and Togoland and their results. (See extract.)

MR Y. DANEAU, Fédération de Québec des Caisses Populaires Desjardins (Canada) followed with a description of a recent experiment with a course on Co-operation carried on through television at the instigation of a university with the collaboration of the Co-operative Movement and government help. (See extract.)

MR J. L. DE FEUARDENT (Caisse Centrale de Crédit Coopératif, France) commented on the difficulty experienced in finding adequate numbers of monitors and teachers to carry through training programmes. This was all the more disturbing because in the field of thrift and credit the object of the programmes was to change people's behaviour patterns and, if possible, to change the customs of certain countries. The people to be educated come for the most part from an oral tradition. Distribution of simple written documents with abundant illustrations is inadequate. The vital problem is to get the maximum effect at the lowest cost. In France rural tele-promotion has been carried on since 1962. The broadcasts are relayed to centres where people are grouped together. Very

recently attempts were made to reach a more difficult co-operator, the fisherman, and from September 1974 there would be broadcasts twice weekly to fishermen at sea in the Bay of Biscay. It is desirable for the Conference to underline the educational importance of radio and television and emphasize the difficulties Co-operators experience in getting access to broadcasting time from both Government-monopolized and commercially-managed networks.

DR SAXENA, winding up the discussion, reciprocated Mr Horii's sentiments on co-operative/trade union collaboration and mentioned a current ICA study of the possibilities of collaboration between the two movements. Other areas of research included the trade union outlook in developing countries—and even in advanced countries—which makes them aware of the importance of the real, rather than the nominal, wage. A propos of the ICFTU experiment in India with general purpose co-operatives, the ILO recently held a seminar in East Africa in order to analyse the role of the Co-operative Movement in better-living programmes. The question of Co-operative experiments leading to changes in behaviour patterns is very complex. The social stratification in a number of developing countries cannot be solved or resolved by the Co-operative Movement alone. There are a very large number of measures which have to be taken, although the Co-operative Movement can bring about change within its own context.

In reply to Dr Datey, Dr Saxena understood the economics of a common training programme for Co-operative and commercial banks, but it was important to realize that Co-operative banks are banks plus something else. The introduction of co-operatives in schools at an early age is perhaps a long-term pro-

gramme which is bound in time to have an effect on the understanding of senior administrators and politicians as to the nature and significance of Co-operative activity. The chief executives of Co-operative organizations he believed to be a cadre which must be developed on its own. Secondment from government is not a solution of this problem.

Dr Saxena noted the interesting points regarding West Africa made by Mr du Mouchel and agreed emphatically with Mr Benzing on the subject of international training. He also agreed that expectations should not be unduly aroused and believed that, when a technical assistance project is being initiated, it is extremely important that proper communication is established about what the project is supposed to do and what are its limitations. In commenting on Mr Chowdhury's appeal on behalf of Bangladesh, Dr Saxena pointed out that the efficacy of technical assistance depended to a very great extent upon internal efficiency in handling it. The internal infrastructure is absolutely vital, as also is the problem of co-ordination, and the present structure of the Government of Bangladesh seems deficient in the provision of middle management. Dr Saxena noted without

comment the remarks of Mr Weeraman, Mr Quraishi and Mr Clerides. A propos of Mr Desroches' points he mentioned a current ICA project, supported by the Co-operative League of the USA, to make a broad assessment of the effectiveness of training aids at present available in a number of developing countries. In the matter of research there was a great lack of feed-back from the field into the training institutions. This must be improved if teaching programmes are to be more responsive to the needs of the movements in the developing countries. Dr Saxena agreed with Mr Moreau on the need for follow-up and training of local leaders which will ensure continuity of the Togoland exchanges, as well as adaptation of the experience gained in advanced countries to the needs of trainees' own movements. The concept of the Co-operative Development Group, which COPAC was jointly responsible for initiating, is likely to be incorporated in the report to be laid before the UN Economic and Social Council.

Dr Saxena was grateful for the interventions of Mr Daneau and Mr Feuardent on the use of television and looked forward to the fuller evaluation expected fairly soon in Quebec.



# Business Strategy

With MR L. LEE, Chief General Manager of the Co-operative Bank Ltd. (Great Britain) in the Chair, the Conference began its consideration of the economic, as distinct from the social and educational, problems of Co-operative thrift and credit, with a discussion of the Movement's constant and ultimate aims, and the objectives which must be conquered and the resources deployed in order to achieve them. The groundwork of fact and experience necessary for fruitful discussion was laid by inviting several Co-operators of long practical experience in their respective countries and fields of activity to make presentations from their different viewpoints. In this way not only would a large area be covered, but certain common fundamentals might be expected to emerge.

MR GLENN FOX, Financial Consultant, Co-operative League of the USA, was the first of these, and he presented a paper in the drafting of which a number of officers of the League had collaborated. The outlook of the paper was therefore not limited to thrift and credit co-operatives. Assuming that the real end use of savings is consumption, the paper emphasized that service co-operatives become equally as important to the member as credit and thrift co-operatives, although they be legally separate. A well-run co-operative uses money to renew itself, to grow and increase as it contributes to life's needs. Co-operators' responsibility is to see that the concerns in which savings are invested are well-planned, sound and serviceable. This involves technical services such as (1) research, (2) feasibility studies, (3) employee selection and training and (4) education.

The paper advocated the closest

possible relations between commodity and thrift and credit co-operatives. They could occupy the same building, hold annual meetings on the same date, have overlapping boards, be supervised by the same overall management, use the same computer, etc. The co-operative educational programme should encompass the whole Movement. The two co-operatives could inter-loan, besides co-ordinating cash-needs and cash-use by informing each other of impending dividends, patronage refunds, stock-redemptions, etc. Inter-co-operative loans or investments should be sought as part of the most efficient employment of funds.

After a review of various methods of financing co-operatives, the paper discussed strategy of savings promotion. Since co-operatives do not normally make use of stock exchanges, they should build into their programmes practical plans for maintaining liquidity which include whatever safeguards and restrictions appear prudent. One system which has stood the test of time is to place to an internal reserve  $\frac{1}{2}$  per cent of a society's total security issue. For expansion, funds may be obtained from re-invested earnings, sale of securities or borrowing, and an alert co-operative should use a balanced combination of all three. Another traditional method for a commodity co-operative is to maintain the totals of its share capital and equity reserves, its allocations to individual holdings based on patronage, its issues of debentures or bonds and its loans from institutional creditors, all at about 25 per cent of its aggregate funds.

In conclusion the paper declared that the ingredients for a sound, efficient

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and growing co-operative are not simple. Leadership, though difficult to define, is all important. Plans, programmes and even principles constantly evolve. They change as needs and challenges change. The late Howard A. Cowden induced the ICA Commission on Co-operative Principles to accept as an addition to the traditional Rochdale Principles the principle of "Co-operation among Co-operatives". That is what this Conference is all about. That is what will make more co-operatives effective in a multi-national competitive world.

MR A. LEWINSKY (Bank Hapoalim, Israel) in his paper pointed out that contemporary changes in economic and social life have fundamentally affected the structure of the banking system. More and more banks are offering an ever-widening range of services. The distinction between savings banks and commercial banks is tending to disappear. Wherever this process is pronounced co-operative credit faces a situation similar to that of consumers' co-operation confronted by the big supermarket chains and department stores. The competition forced upon them seems to lead to large-scale combination and a growing imitation of non-co-operative behaviour. Magnitude diminishes the co-operator's personal involvement and financing exceeds the capacity of the membership. These trends are worldwide and create a sense of urgency. In the final analysis new co-operative concepts are necessary. Concerted action is indispensable.

In Israel adverse conditions and social vision led to such concerted action. The Labour Movement made the Co-operative idea its own and Histadruth, the federation of trade unions, became a super-co-operative under the name of Hevrath Ovdin. As a result a multitude of co-operatives for every kind of economic

purpose developed, united under one roof. In order to channel savings and credits for co-operatives and members alike a bank was necessary and some fifty years ago was established under the name of Bank Hapoalim, which is now the second largest bank in the country, with \$4,500 million assets and an international standing. In recent years the Israeli experience has been emulated in Latin America and the Caribbean. Mr Lewinsky's conclusion was that ideas of joining forces in co-operative effort leading to nationwide concerted action are becoming ever more deeply implanted. Relations between credit co-operatives and other co-operatives should not be a theme for wishful discussion but the well-balanced reality of joint effort.

DR WERNER BLEILE, General Director, Co-operative Central Bank (Switzerland), spoke from the standpoint of an institution with close ties with the consumers' co-operative and trade union movements. He regarded strategic planning as a continuous process concerned with forecasting and preparing change within an enterprise and implying the control, integration and co-ordination of all its activities. A principal element in strategy is to determine the minimum level of liquidity to be maintained, reflecting the economic situation, and the fixing of the minimum productivity level. The most difficult phase lies in determining the directives to be given to the various management levels which must be aware both of their responsibilities and of what obstacles have to be cleared. Planning must leave room for flexibility.

The Co-operative Movement is in a period of transition, characterized by concentration and expansion, with enormous capital requirements. Measures have to be taken to control interest rates and promote saving and the Bank's services



have to be oriented accordingly. The strategy has been to develop local networks, making it possible for the customer to expand his business at local level and thus channel savings into the Bank. Relying on this type of expansion, the Bank has been able to slant its services towards the needs of these people.

In the present inflationary situation the Central Banks of a number of European countries, basing themselves on the same line of approach, have concentrated on the monetary sector. No parallel measures were taken in the attempt to stabilize prices. Measures taken solely in the monetary field will never be capable by themselves of overcoming inflation. Currency measures, such as floating exchange rates, are aimed at disguising devaluation. But how in these circumstances can one engage in long-term planning? It seems that in the whole world there is only one thing to be done, besides taking monetary measures, and that is to increase productivity. At the same time as automation and electronic production there must be an increase in the productivity of each individual. Only additional work will make it possible to increase savings. The personal contributions of individuals are needed to enable us to check inflation and assist the developing countries at the same time.

MR N. A. KULARAJAH, President, Co-operative Union of Malaysia, introduced his paper by stating his belief that every country has to plan its own way of business development. Each country represented in the Conference has its own social, economic and other experience which largely does and will dictate the business tactics to be adopted. Any kind of business strategy must have a sound basis and can only be planned and executed by an organization that is efficient. Mr Kularajah gave an account of

the development strategy of the Malaysian Co-operative Central Bank. The ideas inspiring it may be summarized in the following sentences from his introductory talk:—

“Members and the public think that a co-operative is a charitable or social organization that must go on giving benefits. If it goes on giving benefits in an unbusinesslike manner, it will fail. A co-operative, being a business, has to be run like a business. . . Innovation is necessary. Changes are necessary in order that it keeps up with the times, and the co-operative credit movement, or any co-operative at all, will not be a success unless there is a source of new ideas. . . If we talk about education to Co-operators, especially adults, it is a very sensitive subject; they just do not like education. In Malaysia we decided to call it ‘member communication’ or ‘public relations’, as it suited the occasion. Public relations are very important and necessary to success in a credit co-operative. A credit co-operative will not be successful unless it has a good image. . . Our co-operative leaders must say and do things that will make people, the co-operators, like them and understand them. It is important for the co-operative to look forward to innovative ideas and do things to give the co-operators confidence in it. . . It is important for us to train our employees to give service in the same effective and efficient manner as any other bank or credit organization. . . We must not overlook the need to provide proper facilities. Co-operative credit organizations and banks should have as many branches as is practical so as to be able to provide the facility to save. . . If a co-operative credit society just does credit activities and nothing else, it will not be as successful as it would if it got

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involved with the other activities of the Movement. The ordinary member should be able to see that, though a credit society is a separate society, it is a part of the Co-operative Movement which is striving to improve the standard of living and well-being of the people."

MR EARLE ALLEN, President, National Association of Canadian Credit Unions, dealt with democracy and efficiency in thrift and credit co-operatives in the light of Canadian experience, with particular reference to the Credit Union Movement in the thirty years since the Second World War. Whereas before the War credit unions financed their lending exclusively from their members' savings, the economic and social changes which followed the War brought pressure on the unions to lend for consumption wants rather than for production, and were reinforced by the appearance of the chartered banks in the consumers' credit field, simultaneously with a slowing down in the growth of savings. In this predicament the credit unions had to recognize the need to devise a system which could (1) expedite the flow of funds regionally between credit unions or co-operatives; (2) maximize the investment of surplus funds; (3) obtain additional sources of capital; (4) eliminate duplication of costly services; and (5) maintain a proper level of liquidity. Alongside this was the need to maintain the Movement's philosophical basis, the most salient feature which sets it apart from ordinary business or financial enterprises. The steps taken included entry into the housing field by meeting the demands by credit union members for long-term financing. Certain of the provincial central organizations have established mortgage subsidiaries. Moreover, the Movement has reorganized the Canadian Co-operative Credit Society. Improved legislation to-

gether with support from provincial and inter-provincial bodies should enable the Society to draw additional capital from the money markets, satisfy more of the regional and seasonal demands of its members for loans and utilize their surplus funds to the best advantage. The establishment of a co-operative bank is being actively considered for the sake of access to the Bank of Canada and the clearing system.

Among the most important priorities is the maintenance of liquidity and the assurance that members' savings are available on demand. Mr Allen's paper gives an account of the solution of this problem. Other priorities are concern for the financing requirements of small manufacturing and commercial enterprises, the provision of short- and medium-term loans to aid agricultural and rural development and stem the drift to the towns; the development of a credit card system which will obviate recourse by co-operators to outside banks; savings promotion through adoption of a wide range of convenient techniques and facilities; encouragement of participation by low-income groups such as Indians and Eskimos; increased aid to developing countries.

### Discussion

MR D. FITZPATRICK (Mid-Munster Chapter of Credit Unions, Irish Republic) declared that he wished to see the 440 young credit unions in his country combining their forces for the economic improvement of the Irish people. The experience of Israel is of special interest to them and trade unionists should follow the wonderful example of self-help described by Mr Lewinsky, which would be of greater benefit than massive hand-outs from wealthier nations.

MR B. GINS, General Director, Union du Crédit Coopératif (France)

contributed a paper on business strategy of exceedingly wide scope, as is indicated by its title: "From Co-operative and Mutual Credit to the Bank of Social Economy". He began by pointing out that the term "co-operative credit" is applied sometimes to savings societies among families, sometimes to banks of co-operative societies. The former are usually small-scale savings and loan associations whose resources do not permit them to go far beyond advances for consumption or housing. The latter are to a large extent confined within the economic sectors in which co-operatives are engaged, such as agriculture, handicrafts and supply of consumer goods. His study comprised both types of co-operative credit but its scope included the wider field occupied by a host of mutual and non-profit-seeking associations and enterprises characteristic of western market economies and it was based chiefly on French experience.

It is to cater for the financial needs of the diversity of people's organizations in the shape of a depository for savings and a source of credit that co-operative credit exists and aims to develop. The whole of these organizations, together with their adherents, have enough in common in respect of spirit of service, solidarity and democratic management to possess a common image in the eyes of the public. A bank must have solidarity and stability if it is to command the confidence of its clients. Its resources must therefore be diversified and so distributed that it can avoid being embarrassed by any crisis, whether local or sectorial, or large withdrawals by big depositors. It has to organize its resources so that it has not to meet all its obligations at the same time, and to blend its fixed-rate with its variable-rate securities so as to neutralize market movements. It also needs a network of agencies, or sufficient agreements with

sister institutions to serve the same purpose. The division of risks is sometimes difficult for co-operatives which have important clients represented on the board or committee of management and which are open to social and human pressures. However, a certain balance can be achieved where information is open and clear between all those who have to take technical and policy decisions. An obligatory and independent auditing system is often a means of reducing risks. Likewise guarantee funds and mutual caution give protection against the consequences of mistakes, and are methods of strengthening confidence.

In respect of efficiency a bank's strategy should aim at reaching a certain minimum size, at providing a complete range of services, and earning the maximum return on the resources at its disposal. At the same time it must preserve its independence, on the one hand in relation to the State, on the other in relation to its principal clients. In co-operative credit organization this is especially important in view of the same person or organization possessing the double quality of member and client. Hence the importance of maintaining a stable equilibrium and mutual understanding between the different interests represented in the membership.

Mr Gins explained the manner in which the foregoing principles can be applied to serve the expansion, development and growth of co-operative credit systems.

MR M. LECARDONNEL, Fédération Nationale du Crédit Agricole (France), supported Mr. Lacour's plea for action to combat inflation. He considered that the most serious aspect of the situation was that the trust which the co-operative credit organizations have taken 75 years to build up is being eroded to a very serious extent. The agents, the

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thousands of workers in the field who have to "sell" thrift and credit to the public are demoralized and no longer working with the same conviction as before.

In the industrialized countries the biggest problem faced by the co-operative credit organizations is that of reconciling democracy and efficiency. In Holland 40 per cent of the country's banking is carried on by credit co-operatives. In France and Western Germany the percentage is in excess of 20. In the severe climate of competition the co-operative credit organizations have to meet the competition of the commercial banks, which are now taking an interest in family credit, and that of national savings banks which have government support. The association in the same credit co-operative group of family credit, professional credit and credit to labour-intensive concerns certainly needs to be allied to efficiency. Offering a whole range of banking and para-banking services is a vital necessity for credit co-operatives if they wish to face up to commercial competition. Giving co-operative credit agencies sufficient scale and maintaining financial soundness is the duty of the managers. The natural concomitant is that they have to charge the right price for their services.

DR C. D. DATEY (Reserve Bank of India) pointed out that to raise the level of cultivation there must be large-scale

investment to provide working capital for agriculture. The savings of the community at present are not adequate. Co-operative credit institutions, unable to raise enough credit, have to be supported by the Government and the Central Bank of the country. The only way by which the co-operatives in India can progress is through a partnership of the State with the Co-operative institutions.

MR A. KERSPERN, Cités Coopératives (France), in presenting greetings on behalf of the ICA Housing Committee, mentioned that it had set up a panel to undertake a permanent study of housing finance. Out of the seminars on housing finance held by the Economic Commission for Europe at Geneva in August 1973, three conclusions emerged: (1) encouragement should be given to family savings for housing; (2) preference should be given to a specific savings and credit system for housing through co-operative mutualist organizations; (3) a direct link should be encouraged between co-operative thrift and credit associations and the home-loan societies. He was convinced that through a direct link, factual or *de jure*, between these two types of organization, big developments can arise.

Owing to the lateness of the hour the speakers were obliged to forgo their right to reply to the discussion and the discussion was closed.

# Structure and Rationalization

MR N. A. KULARAJAH, as chairman, opened the session and invited MR THEO BRAUN, President Confédération Nationale du Crédit Mutuel (France), to introduce his paper on Structure and Rationalization.

Mr Braun's argument started from the underlying motivations of what he called "the co-operative mutual credit enterprise" and the work of Raiffeisen, Durand and Desjardins to create a form of business organization through which the common people, combined on a basis of solidarity to promote their common interest, could develop an economic system different from the block of interests, institutions and forces represented by the capitalist regime. Within this form of organization the reality of power was transferred from a minority of capital holders to a community of free men, collectively responsible, and with that, the concept of service was substituted for the profit motive. Two additional conditions had to be fulfilled. First, the voluntary community had to become an institutionalized society, a co-operative which is the legal expression of the spirit of solidarity, enabling this ideal to take concrete shape and take root in the economic environment. Out of such societies a two-fold structure, at once horizontal and vertical, arose. The horizontal base consists of the thrift and credit societies set up and managed by individuals or families. These are local agencies which constitute the primary level responsibility. The vertical structure, or organizations of the second degree, is created to fulfil the financial, administrative and policy-making functions for which the primary societies feel a common need and which they cannot

effectively perform for themselves.

The operations of primary thrift and credit societies evolve from simple savings and loan transactions in the direction of a more generalized banking activity, as the standard of living rises and their members' wants multiply, while still retaining their contact with individuals. If they are to extend their services as they grow, they must invest capital in their business and run it at a profit, accepting certain limitations which that implies. At the same time they cannot be content to grow like an ordinary enterprise, regardless of their relations with their member-customers and the latter's democratic rights and responsibilities. They must remain faithful to their fundamental task of organizing solidarity, in other words, manifestly conferring additional advantages resulting from mutual self-help. The democratic principle requires the collaboration of four elements: the members, their elected representatives, the management and the staff, and it is that which makes the co-operative and mutual systems such magnificent schools of democracy.

Although the primary societies are autonomous, they are also bound to practise solidarity through organizations of the second degree, variously called unions or federations, within which the advantages of non-centralization have to be reconciled with the demands of efficiency. The second degree organizations have to bear responsibility at their level for activities which are financial, administrative and concerned with policy. Their activities are by nature beyond the scope or power of the primary societies, but are subject to their scrutiny and depend on their support. There thus grows up a

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system of rules, accepted on both levels, which determine their working relations, define their respective spheres of responsibility and authority, and concretize their inter-dependence. Often, beyond the second degree, it becomes necessary to establish a third level of responsibility, a confederation, with functions which concern the Movement as a whole, such as its representation in relations with public authorities and the co-ordination of its constituent bodies, especially in situations where the rules give little or no guidance.

It is impossible to disregard the fact that the establishment of different levels of responsibility raises the question of power. In the Co-operative Movement power has to be considered, not from the point of view of a single individual wielding power, but from the standpoint of the relations which are established on each level and between the several levels, for power here takes on the character of an integrating element which evokes confrontations, exchanges and transfers of responsibility. And because power cannot be defined as an end in itself, but has to be conceived with reference to a given purpose, powers derived from different sources can co-exist and contribute to increased efficiency. It is possible to understand and foresee how, in fact, different powers are reconciled and balanced with one another—a process inseparable from the process of organization. For unlike institutions based on a legal document, a contract, the Co-operative Movement is a community, each part of which has its own life, but exists only through the whole, as the whole exists only through them. It is only on this condition that it becomes possible to operate a system of division of labour imposed by technical demands and the necessity of adaptation to the economic environment.

The concentration of technical de-

vices for increased efficiency which we are now witnessing, is it not the source of constraints which risk bringing about a concentration of power? We can avoid this shoal if we remember that the means are inseparable from the end, which for us is to organize solidarity. The real participation which we wish to achieve at all levels is possible if everyone is sufficiently well trained and informed.

MR H. BENZING, Friedrich Ebert Foundation (German Federal Republic) first discussed the advantages and disadvantages of mergers and decentralization in relation to co-operative development in the countries of the Third World. He maintained that merger trends amongst co-operatives in the industrialized countries have been brought about by the pressure of competition. But to what extent are co-operatives able to take the initiative? How can co-operatives structurally keep pace with modern requirements? This problem will be posed increasingly in developing countries, but there other symptoms, even threatening conditions, prevail. The key position of the savings and thrift sector has been mentioned, but the dual problem for development work consists, first, in the fact that there are often no credit co-operatives and, second, that in many cases the techniques with which to work are badly adjusted to modern times.

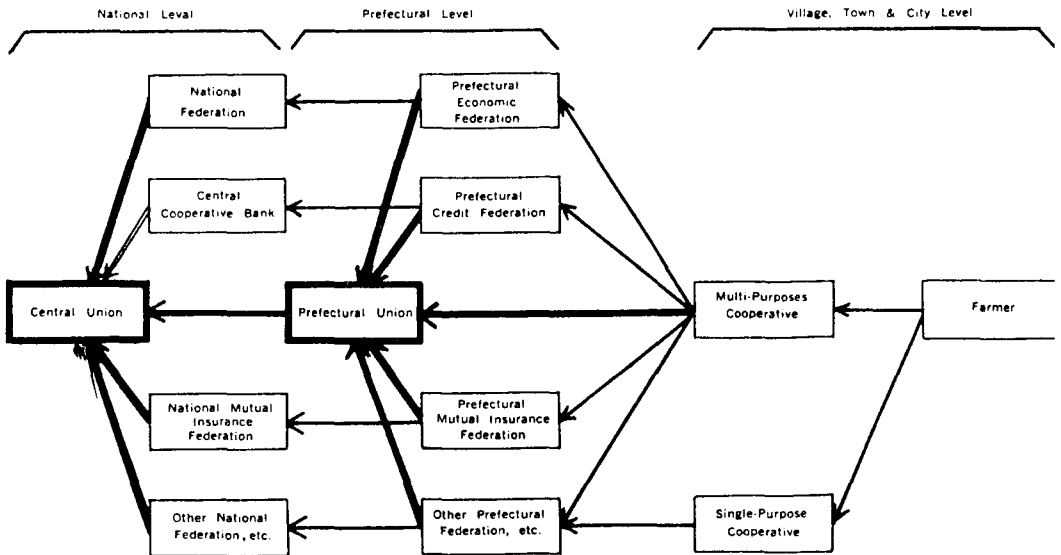
In order to build up infrastructures within the Co-operative sector, much more is needed than just money. In order to accumulate savings for the poor sectors of the population within the framework of the economy, certain attractions have to be offered. A rigid credit and thrift organization needs a certain economic and tax attraction. "Protectionism" is a real pre-requisite for life and for survival. The realities prevailing in many developing countries are very far removed from

initiative on an individual level. This does not signify a lack of willpower or of readiness to solve one's own problems of development. But in many cases, without material and personal impulses from outside, no changes can be achieved. So long as international Co-operation does not function better, we must not demand too much from the Co-operative sector.

Measures have to be taken to make the co-operatives more efficient and co-operatives have to adapt to the social and political situation, for otherwise they are isolated. Co-operatives take very courageous initiatives in order to reform themselves, but this is difficult to bring about and often goes beyond the framework of traditional co-operation. All real development policies rule out the imitation of examples from industrialized countries. Assistance towards self-aid for our partners can only be successful if we in the highly industrialized countries can learn to understand the development towards

merger of the highly-developed Co-operative Movements. The training programmes in the industrialized countries can make important contributions to the promotion of management within the Co-operative Movements of the Third World.

MR T. HAYASHI, Director, Central Co-operative Bank for Agriculture and Forestry (Japan), commented upon the report on the amalgamation of co-operatives in Japan, a summary of which was in the hands of the participants. After the enactment of the Agricultural Co-operative Association Law in 1947 various types of agricultural co-operative sprang up in large numbers all over the country. By 1950 they were almost all in financial difficulties with which they were too small to cope in the structural economic conditions then prevailing. The leaders of the Movement accordingly took quick steps, with legislative help, to reconstruct and rationalize the organizations, partly by the merger of the smallest units into viable



Structure of Japanese agricultural co-operative movement

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societies. Reconstruction continued as the Japanese economy regained stability and entered on a period of growth with expanding exports. The reconstruction was based upon self-help but also on co-operation from the primary to the national level, with assistance from local and central government, including financial aid.

In 1954 the Co-operative law was revised and the Movement once more remodelled its structure. The Central Union of Agricultural Co-operatives was formed and the whole system of agricultural co-operatives was re-shaped into its present form. Against the background of the rapid expansion of the national economy from 1960 onwards, with large-scale industrial development and rising standards of nutrition and comfort, the gap in productivity and income between agriculture and other industries opened wider. In 1961 the Government drew up a basic policy for agriculture which made stronger and larger co-operatives desirable and the law for the promotion of amalgamation among agricultural co-operatives came into force. The law laid down that the decision to amalgamate should depend upon the proposal being carried by a two-thirds majority in each society's general meeting, but it also provided financial aid facilitating the process of fusion. The Central Union formulated guide lines in a policy directive issued in 1963. The size of the amalgamated society should not exceed the limit where the members' views ceased to be reflected in the management. It should conform to the natural, economic and social features of its area. It should be large enough for sound management to achieve economies of scale. In rural areas size is gauged by the types of farm products handled. In suburban areas, where credit and supply business predominates, the volume of business is the main factor.

Elsewhere, a membership of not less than 1,000 is recommended.

Ten years afterwards a sample enquiry which brought replies from 7,000 members revealed that 41 per cent found the results of amalgamation to be favourable whereas 10 per cent were still not in favour of it. The remainder either found little change or were undecided. The national leaders of the Movement were not satisfied with the results of amalgamation. While a large number of strong co-operatives were created, numbers of small co-operatives still existed in all parts of the country. Progress and innovation in the private sector still require stronger and wider co-operation among co-operators. Amalgamation has provided the answers to particular problems but the solutions have created a new situation and many leaders, local and national, hold that the structure of the Movement should be subject to reconsideration at any time. It is their strong wish that the Movement should re-affirm the ideals and principles of Co-operation, in order to keep pace with the increasing demands of the members and arm itself with a stronger Co-operative spirit.

#### Discussion

MR S. DROUSSIOTIS (Cyprus) gave a brief account of the savings bank of which he was manager and which in 14 years had built up its deposits to £1.5 million, with a reserve fund of £100,000. The future progress of the co-operatives in Cyprus, he declared, depended upon the ability of the Movement to build up leaders. The quality of the people who lead and manage is of vital importance to any economic progress or social development. The managers must be trained to use sound management tools so as to be able to provide effective leadership.

PROFESSOR T. BOTTERI (Italy) described the situation of the Raiffeisen



credit societies in Italy where the law requires local agencies to observe rules corresponding to the original principles of Raiffeisen. Control of the observance of the rules is the function of the organization which monitors banking activities. The co-operative agencies were inclined to seek efficiency through technique rather than through solidarity. The consequence was the disappearance of the small agencies and the appearance of larger and larger co-operatives. Ten years ago a central organization was set up and its presence is being felt in the change of trend towards the concentration and merger of the small units, making it possible for them to solve technical problems without damaging their spirit of solidarity. Naturally the problem cannot be solved simply by creating suitable structures. The quality of the men involved is the only guarantee for the maintenance of principle.

MR A. ROULEAU, Quebec Federation of Desjardins People's Banks (Canada) spoke of the need to find highly qualified men of administrative and financial ability and to find in these same people a constant concern for democracy, for society and for their fellow men. The first concern of the majority of directors, management and staff in managing that enormous machine, the Desjardins Movement, is to run the thing properly. This raises certain problems when at the same time it is wished to be democratic and to preserve the original idea of Co-operation.

MR B. S. VISHWANATHAN (India) described the origin, development and functioning of the Land Development Banks in India which supplement the older credit societies providing only short-term loans. In recent years the Land

Development Banks have received large loans from the World Bank, and in the period of the Fifth Plan will have to provide Indian farmers with loans to an amount almost equal to their previous 40 years' business. He felt, however, that it is necessary to cater for all sorts of loans to farmers through a single co-operative agency, especially at primary level. The National Commission on Agriculture had recommended "Farmers' Service Societies", which would be multipurpose and cater for all farm requirements for a population of roughly 10,000 to 15,000.

MR T. BRAUN, replying to the discussion, after thanking the speakers for their interventions, proclaimed his own faith in the underlying motivation of co-operative and mutual credit. Alongside the profit motive and the motives underlying the state and certain other bodies, there is what he would call a third option in the organization of undertakings, which through their organization and structure can involve men in both handling capital and managing and administering an enterprise, thus enabling them to be free because they are responsible. We must maintain the possibility for human beings to participate in a democratic institution. Democracy is not possible today unless at each level we have intermediate bodies capable of disseminating the message, so that each and everyone should feel and understand and grasp the message and feel personally involved.

The Chairman, in closing the session, thanked Mr Braun and the other speakers, re-emphasizing Mr Braun's remarks on efficiency, the observations of Mr Droussiotis on management and the experience of the Japanese Co-operative Movement with mergers and consolidation.



# International Co-operation

MR HAROLD BRAATEN, President, World Council of Credit Unions (USA) took the chair and called upon DR D. GRETHE, Managing Director of the International Co-operative Bank (INGEBA) to make the first presentation on International Co-operation.

Dr Grethe pointed out three prerequisites for the development of international activities by business enterprises. First, governments must permit and even promote the rapid movement of goods and services, money and capital. Second, there must be mutual trust, besides the wish for international co-operation. Third, firms must employ the requisite experts and specialists trained to carry on international transactions quickly and smoothly.

As to the first, experience of the last 25 years has shown that excessive government intervention impairs the market mechanism. Government action to correct balance of payments situations, the permanent accumulation of currency reserves, the pursuit of liquidity, combine to create havoc in the system of international payments and trade. It is doubtful whether controls and restrictions can have the desired success in a system based on division of labour and close economic interdependence. Only a common conception of partnership in world trade can maintain and enlarge the international movement of goods, services, currencies and capital. Mutual trust is absolutely indispensable for the improvement of relations with the Third and the Fourth Worlds. Members of Co-operatives must attach great importance to these relations, participate in the economic and social development of the respective countries and have faith in the goodwill and efficiency of their friends in

other national movements, irrespective of differences of political development.

In the sphere of Co-operation, not all opportunities of international work have been utilized, probably owing to shortage of adequately trained personnel. Improvement is possible only if large numbers of young employees are given international training, and the co-operatives which already have international experience are ready to provide it.

MR M. ROBERTSON, President, International Credit Union Services Corporation (USA) introduced the subject of international co-operation for agricultural production among small farmers, with special reference to the Interlending Programme of the World Council of Credit Unions. The problem of production credit for small farmers in developing countries has evaded a satisfactory solution over a long period, but there is now a growing awareness in the international co-operative credit and thrift movement that credit unions among farmers open up possibilities of profitable investments, as single loans made to co-operative institutions can be sub-lent to their individual farmer members.

The Credit Union Movement first initiated with some success a Production Credit Programme in Latin America, where peasant farmers, not being able to offer collateral security, are not eligible as clients for commercial banks, which are in any case more strongly attracted by less risky and more profitable opportunities. Government development banks also favour large industrial or agricultural borrowers. Seventeen years ago CUNA International launched a technical assistance programme to assist the foundation

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and extension of credit unions in Latin America. The action was subsequently opened out to include other countries requesting such technical assistance. Today the programme has reached 70 countries, with the support of sympathetic institutions and agencies such as the US Government's AID.

In Latin America 18 countries have developed their own national credit union networks grouped in national federations. In 1970 the Latin American Confederation (COLAC) was established, and fixed as its first priority the provision of credit to small peasant farmers. Up to the present nearly \$10 million have been supplied by external sources to finance agriculture and small industry through credit union federations in eight countries of Latin America. The record of these operations convinced the World Council of Credit Unions that credit unions could help a lower level of farm population than had hitherto been reached and it began, in conjunction with other central organizations of the Credit Union Movement, to design and execute an International Interlending Programme.

The Interlending Programme is supported financially by the International Guarantee Fund to which credit union federations and other interested co-operatives and agencies can contribute. For the present the guarantee provisions will be in force for as long as is necessary for the pilot lending projects to demonstrate more precisely the dimensions of the risk factors involved. There are at least five lines of security and/or protection for the lender, but with continued experience and research the amount guaranteed by the fund will be safely increased according to realistic assessments of the risks.

A further possibility would be the channelling of funds from other sources directly to developing countries for small farmer loans through the instrumentality

of the World Council, the ICA, the United Nations and its Specialized Agencies. There would also be the possibility of utilizing agencies like the International Co-operative Bank and private international financial institutions in the Northern Hemisphere and Australia. The final objective would be direct lending between co-operative central financing institutions and co-operative central or regional organizations in developed and developing countries. Such interlending has already been initiated between central credit unions in the USA and Canada, and federations in Latin America. The preparation of national organizations for full-scale participation in such programmes may take as long as a decade, but as the membership of credit unions expands and technical assistance increases the organizations will begin to provide for themselves the necessary instruments and facilities for a world-wide credit system for farmers.

DR W. HESSELBACH, President, Bank für Gemeinwirtschaft, Frankfurt a.M., and Chairman, ICA Banking Committee, discussed the situation of the Co-operative Thrift and Credit Sector in the light of the world monetary problem and explained why in his opinion, national co-operative solidarity is a pre-condition for international co-operation. In his opinion the world monetary order established at Bretton Woods has been dead since the foreign exchange crisis of February-March 1973. Since then the former system has dissolved into a chaos of fluctuating exchange rates, in which banks, insurance companies and other large concerns all operate, with the result that processes of money creation develop without any world central bank to correct and restrain them.

The release of the exchange rates was followed by the material boom. The background for the latter was a world-wide business boom, so that the level of

world market prices for food, as well as for industrial raw materials and energy, rose during 1973 by about 50 per cent. The cartel-like policy of the energy producers forced consumer countries at once to seek alternative sources of energy and to discover ways of economizing energy and raw materials. At the same time interest rates reached their highest post-war level.

The outstanding phenomenon is the enormous trade surplus of the oil-producing countries, with corresponding deficits in the trade balances of both industrialized and developing countries. How is this going to affect the international money and capital markets? Only one thing is certain in the near future: there will be no reform of the international monetary system—no new rules like those of Bretton Woods—to influence the next decades. We are entering a phase of full international monetary freedom. The basis for world commercial development continues to be good. We have a smoothly progressing world boom and no reason to suppose it should now suddenly come to an end. It is possible that a payment triangle may develop. The European industrial countries and Japan could have balance of payment deficits against the Persian Gulf States which in their turn would probably invest their surpluses mainly in the USA, from where they would then partly return to European credits.

Turning to the consequences for the collaboration of co-operative banks, Dr Hesselbach considered that this would be complicated by the new risks involved in the world monetary situation, added to the political and currency risks. Individual co-operative banks would have to rely for years ahead on their own strength for raising long-term funds. In any case the industrialization of whole countries and regions is primarily not a capital question but a socio-psychological learning process.

Given the wish and intellectual forces in favour of industrialization, means to finance the appropriate industrialization are found. The multitude of possible ways of industrialization afford the hope that the co-operative method will be adopted and industrialization carried through in a democratic, humane and dignified manner.

From this point Dr Hesselbach went on to explore the possibilities for co-operative banks, national co-operative banking systems, the International Co-operative Bank Ltd and international co-operation generally in the financial field. (See extracts.)

MR B. TRONET, Vice-President, International Co-operative Bank, presented the paper on the International Financing of Co-operative Enterprise in Developing Countries which forms an abridged version of a comprehensive study in which ILO, FAO, COPAC and the ICA took part and which was published by the ILO. The first part of the paper sets the scene for the suggestions made in the second part by describing the financial requirements of co-operatives in developing countries, as well as their still unfulfilled financial needs, based on data collected and requests for aid received by the ICA. Special attention is devoted to agricultural co-operative credit in which there exists a major role for co-operatives in generating, channelling and supervising credit to individual farmers. Next, existing sources of finance, both internal and external, are examined, together with the types of aid to which they contribute and their methods of working. Private sources are also included. A special section deals with the co-ordination of assistance, both between sources of aid and between capital and technical support.

The second part of the study is devoted to the examination of proposals for an international institution for financ-

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ing co-operative enterprises in developing countries. These proposals centre upon three possible institutional arrangements: an international co-operative banking institution, an international co-operative fund, or an international co-operative consultancy service. Mr Tronet went on to discuss these proposals. He concluded his intervention by posing the question: What will happen? His own reply was: "A simple way would be for everybody to wait, and nothing will happen. But in the discussions everybody spoke of the necessity of doing something to place investments in the hands of developing countries. I close by recommending that something should happen—and happen very soon—and that there will be collaboration between all those who want to work in the same direction." (See also extract.)

#### Discussion

MR H. DAHLBERG (Sweden), representing the Insurance Development Bureau, explained that the Bureau was a sub-committee of the International Co-operative Insurance Federation, which grew out of the former ICA Insurance Committee and which comprises 51 co-operative insurance societies in 26 countries. The Bureau was formed in 1963 to assist the Federation in supervising an assistance programme for the development of co-operative insurance, more especially in Africa, Asia and Latin America. After enumerating the advantages to a national co-operative movement in having its own insurance institution, Mr Dahlberg described the work of the Development Bureau. It undertakes feasibility studies and advises co-operative and trade union promoters on the suitability of launching co-operative insurance operations. It provides technical assistance to new enterprises, experts to work for initial periods and loan guarantees for borrowing capital,

backed by a Loan Guarantee Fund to which the 51 members contribute. The Bureau organizes training seminars and places individual trainees with member institutions. It also publishes informative material on insurance suitable for co-operatives in developing countries.

MR G. O. OSOBA, Co-operative Bank, Ibadan (Nigeria) described the activity of the co-operative thrift and credit organizations which collect savings from salaried workers, market women and traders and channel them to the Co-operative Bank. There are a large number of co-operative produce-marketing units handling cocoa, palm kernels, rubber and coffee for export and many occupational co-operatives. At the centre is the Co-operative Bank, established by the Western State Government but managed entirely by the co-operators. The Bank takes all the funds of the co-operators on deposit and endeavours to attract funds for their operations and development.

MR P. LACOUR (France) expressed his pleasure at seeing, six years later, the fruition of a proposal for a loan guarantee fund he had himself made at the first Conference on Thrift and Credit held in Jamaica. He was grateful to the World Council of Credit Unions for the opportunity of marking up a concrete achievement. In his own Movement he would try to find a way of integrating what they were doing at a very modest level with what was being done on a much larger scale.

MR H. WATZLAWICK, International Labour Office, Geneva, explained the grounds of the concern of the ILO with the international financing of co-operative enterprises. The reasons were both formal and practical. The International Labour Conference, when discussing in 1966 its recommendation on the general role of co-operatives in the developing countries, also passed a resolu-

tion inviting all member countries to consider co-operative banking with a view to increasing the availability of finance. It accordingly undertook a survey of needs and possibilities, including the feasibility of an international banking institution.

From the standpoint of the ILO's practical work, it had become an institution interested in generating every form of outside support for help to co-operatives in developing countries. It had already approached the Kuwait Development Fund, mentioned by Mr Burke Knapp, with proposals for co-operative development. In the ILO's Technical Development Programme, self-reliance of the Co-operative Movements assisted was a constant aim and that meant building up a sound financial backbone and incorporating a National Co-operative Bank. It also meant helping movements to mobilize local savings and to get outside finance to supplement their meagre resources.

The ILO fully supports the appeals made by Mr Tronet and Mr Robertson to the international co-operative movement to build up a mechanism for international co-operative development-lending. It was willing to collaborate. If it cannot provide finance, it can help to locate it. Its advisers can provide a kind of technical or moral collateral, and it can adapt its programmes to meet certain needs, notably training and consultancy.

MR A. V. CASTRO (CUNA/ COLAC) fully endorsed Mr Tronet's

proposals and hoped INGEBA would give serious consideration to them. He further suggested that the ICA should set up a committee and invite people interested throughout the world to consider alternative methods of transferring capital resources from the industrialized nations to the less developed countries. He knew from experience in trying to obtain resources from the multilateral development banks what great restrictions were placed on the methods of operating with them. For many co-operative organizations the World Bank is not an accessible source of credit. How does it relate to co-operative organizations? How do the various regional development banks relate to them? How could they become more effective? It is a proper task for the ICA to take hold of this issue and develop different methods and strategies. Co-operators must capitalize on recent developments and propose that the various agencies earmark funding for co-operative development, so that they can reach the small farmer and artisan who does not need millions but a few dollars to get him started in productive activities. Working in the development and design of the inter-lending programme was one of the most difficult tasks Mr Castro had undertaken, but it was the beginning of an international finance mechanism that could be used as a model and example. No matter how difficult the economic conditions prevailing in the world, there would always be this type of problem.

# Regional Co-operation

MR T. BRAUN (France) took the chair and called upon MR M. V. MADANE, Joint Director for Technical Assistance and Trade, ICA Regional Office and Education Centre for South-East Asia, New Delhi, to present the first paper.

Mr Madane remarked that it is sometimes assumed that international co-operation, discussed in the preceding session, might cover regional co-operation too. That might often not be the case, for regional co-operation needs intra-regional collaboration. He believed that if a strong base had been created through regional, especially intra-regional co-operation, international co-operation would be easier to achieve.

In the course of a rapid review of the characteristics and trends of the Co-operative Movements in South-East Asia with which he was at present involved, he mentioned a noticeable development of inter-co-operative relations resulting from the efforts made by several international organizations, including the ICA Regional Office, to promote the exchange of information and experience. There had been a time when the different countries did not know about the co-operatives of their neighbours but they were coming closer now. The educational programme of the ICA Regional Office, mentioned by Mr Weeraman, was itself a big effort in international relationships. A more concrete trend is to be seen in the joint ventures by Co-operative Movements in the region and from outside. One is a common enterprise between the Japanese and the Thai Agricultural Co-operative Movements in the cultivation of maize. The other is the establishment of a big fertilizer complex in India jointly by

co-operatives in the USA and India.

The report of the Pearson Commission on International Development referred to the decline of technical assistance to developing countries. A charitable approach to technical assistance will not solve the problem. In the ICA the policy has been to develop projects, such as the dairy project generously financed by the Co-operative Movement of the German Federal Republic, but on the whole there has been little success in obtaining technical assistance or capital aid for projects which are small compared to World Bank size projects.

He appealed to the advanced co-operative movements to combine with the developing co-operative movements as equal partners in joint ventures. Many advanced movements are already buying large quantities of consumers' goods from the developing countries in South-East Asia. Labour is comparatively cheap and many multi-national corporations and private companies are starting joint ventures in these countries. Why not the Co-operatives? He appealed to the Conference to give serious consideration to the idea of establishing consumer industries and agricultural processing industries by mutual collaboration between two co-operative movements.

Mr Madane next dealt with two major projects which had been evolved by the ICA Regional Office with the active support of the movements in the region. The first is the establishment of an international co-operative trading organization. After seven years of promotional work the time had now come to establish an agency which could actively assist in buying and selling. A company called the Inter-



national Co-operative Trading Organization was being established in Singapore, to buy and sell on behalf of co-operative movements the world over. It will not be restricted to the region but its services will be available to those European co-operative movements already purchasing in the region. Four countries had already joined and the papers for registration had been filed.

The other project is the proposal for the Asian Co-operative Development Bank. The history, situation and prospects of this project were described in greater detail by Mr Madane in his paper.

Further presentations were made on co-operative development, particularly in the form of credit unions, their federations and confederations in other continental regions, by MR ANDREW SO KWOK WING, President of the Asian Confederation of Credit Unions; by MR B. ORTIZ, President of COLAC in Latin America; and by MR B. MUKONG, President of the African Co-operative Savings and Credit Associations (ACOSCA). (See extracts from their papers.)

### Discussion

MR D. NYANJOM, Director, ICA Regional Office for East and Central Africa, Moshi (Tanzania), regretted that co-operative leaders from the part of Central Africa covered by the ICA Regional Office were unable to attend the Conference for lack of financial resources. This point might well be considered when future conferences are planned. He emphasized the importance of intensifying education and training programmes now being operated in the region. As a result of the programme for mobilization of local savings, co-operatives were mushrooming in the region at a pace likely to result in serious setbacks, unless growth was coupled with member education and committee

and personnel training programmes. There was danger in allowing the savings and credit co-operatives to become a convenient way of making consumer credit available without inculcating the spirit of thrift. It was encouraging, however, to note the educational programmes now being carried out by ACOSCA.

Mr Nyanjom further pointed out that the agricultural production credit schemes now being developed in the region, as part of the multi-purpose pattern of agricultural co-operatives replacing the former specialized marketing societies, had made training in thrift and credit an important part of the educational programmes. He hoped that the Conference, notwithstanding the need to consider important world monetary problems, would give sufficient attention to supporting the development of sound thrift and credit schemes in the developing countries where co-operatives were facing acute shortages of high-level manpower.

MR O. AMURE (Nigeria) gave additional information about co-operative developments in his country, including association between districts for joint buying of consumers' goods and group-farming projects introduced among the farmers. He invited visits from the ICA to assess what type of assistance was needed and how it might be provided.

MR A. CASTRO (USA) welcomed the information given about developments in the field of regional integration, but regretted that all the various alternatives available to channel capital assistance to the developing world were not yet being explored. There was too much emphasis on the structures of co-operative banks, which were only one method of structuring financial integration. Other structures, such as the workers' banks, are available to move capital resources and make them available to co-operative organizations in

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the less developed countries. He knew from experience that credit union federations are just as effective as co-operative banks. There is no more effective system than the credit unions and the thrift and credit societies for reaching the rural sector, because they involve local participation and encourage self-discipline in the management of resources.

Mr Castro repeated his suggestion of a committee to formulate recommendations on action to be taken on the various subjects raised in the Conference, by analyzing possibilities, potential and issues, even though the proposals presented had been directed to the International Co-operative Bank. The International Guarantee Fund described in Mr Tronet's paper would be needed by the Asian Co-operative Bank and by COLAC. Such a fund could have universal application, to the developed as well as the developing countries. In the search for liquid sources, one of the problems posed is inevitably that of a guarantee. "We have to devise a method that can permit and facilitate the flow of capital to help our co-operators in the less developed countries. We are not talking in great sums: the people want to work, to put their skills into productive effort, but they do not have the tools. We in the advanced countries use the major portion of the natural resources of the world and it is for us to find means of re-cycling part of that affluence back to them."

On the question of multilateral and bilateral lending, Mr Castro stated that, although there was a concern to help the less well-off groups, no one had come up with any solution and it was for co-operators to find a means to bring resources to the less developed. The multilateral agencies are mostly government banks and respond to the interests of national governments, many of which look

with some suspicion at co-operative development efforts. A policy of not encouraging co-operative organizations or of controlling them inhibits free development, and funds, intended by the industrialized nations for low-income people in both rural and urban areas, in practice reach them only to a small extent. It is for the co-operative movements organized in the ICA to address themselves to this issue, to find out how the development banks operate, and what are their limitations. The Movement has the structures and institutions to do it itself. What is wanted is the opportunity to get the right type of assistance directly.

The Chairman, MR T. BRAUN (France), summing up the discussion, declared that in the course of previous discussions the Conference had identified a unity on the bases of a common ideal, by identifying a weapon common in each of our countries or in each of the four corners of the world represented. Through the reports presented the delegates would have obtained a better grasp of the efforts being made by the credit unions and their World Council and the activities of INGEBA, as well as suggested lines on which solutions might be sought. The Conference had thus realised what is going on and what has gone on, the successes and failures and hopes of the different organizations, national or international. As a result the Conference is brought once again face to face with its theme: Efficiency—Effective Action. In its previous history the ICA has been mostly concerned with consumers' or production co-operatives. The thrift and credit co-operative movements are of comparatively recent origin. The ICA has in fact brought to birth a new child, born into a large family. The advantage of that is that it injects new life and vigour into the parents. It introduces a new source of wealth into their life. The disadvantage is

that it upsets the life of the parents and older members of the family. Looking back on the origins and progress of the Conference, Mr Braun pointed out that it was sponsored by the Banking Committee of the ICA, the Canadian and the French national organizations and the World Council of Credit Unions. He agreed with Mr Castro that it would be a good thing if, in the course of summarizing the conclusions of the Conference in the final session, they could work out a formula for precise

definition of the Conference's status within the ICA, its relations with other international organizations, methods of work, efforts at technical assistance, education and training, exchange of funds, so that what comes out of this Conference will be what they wished to see. They needed to have outlined some precise and concrete positions which enable all organizations to exist on an equal footing within the vast family represented by the Alliance.

# Reports, Discussions and Recommendations

MR P. LACOUR (France) in the chair informed the Conference that it had originally been intended that Mr S. Katayanagi, President of the Norinchukin Bank (the Central Co-operative Bank for Agriculture and Forestry, Japan) should preside over the final session. Mr Katayanagi had, however, been unable to attend the Conference and Mr Lacour asked the Conference to agree that a message should be sent to him expressing regret at his absence and thanks for his consistent help given to the Conference and the Secretariat. The chairman reminded the delegates that their task was now to consider whether the drafting committees' reports were an accurate reflection of the sense of the discussions in Conference and called on DR SAXENA, Director, ICA, and Secretary of the Conference, to introduce the reports and explain the procedure.

Dr S. K. Saxena explained that the General Drafting Committee had worked on the basis of the reports of the several sessional drafting committees. It was a bilingual committee but no serious problems were encountered in coming to a consensus. The reports were read out and discussed not only in terms of their accuracy in reflecting the discussions in Conference, but also in order that the Drafting Committee should clearly identify any specific initiative stemming from the discussions.

MR R. P. B. DAVIES, General Secretary, ICA, then read the reports section by section, followed by the synthesis of the reports on international and regional co-operation drafted by Mr T. Braun. Each sectional report was discussed

and, where Conference judged appropriate, amended in substance and phraseology.

After general agreement had been reached on the reports, MR W. P. WATKINS, as general rapporteur, explained how he would deal with the writing of the final report:

A good deal of the mechanical work concerned with the reporting of this Conference has been done by Mr Davies, in addition to everything else that he had to do for the Conference, and for that I would like to express publicly my sincere thanks to him. As the Drafting Committees have worked so well and so willingly accepted certain suggestions I have made to them, my work in the Conference has hitherto been easy and I thank them for that. Beyond the Conference, however, there is the publication of the report and that is the next big task which devolves upon me for, in a sense, if we did not publish a report—and not a mere report but the best and most useful report that we can contrive to make—the Conference might almost never have been held. It is becoming more and more true in the modern world that things which are not worth recording may as well not have happened, because they are so soon forgotten. Now that the work of the Conference and its Liaison Committee has reached a degree of formality and has a kind of legal existence within the framework of the Alliance, as Mr Braun indicated in his summing-up, these records become more and more important.

Obviously one begins with a preface which relates very briefly the history of the Conference to date, for those who have not been present at the Conferences will know

nothing about them and what has led up to them. Secondly, there is the programme. These things form a prelude to the report of the proceedings, based naturally on the verbatim record of the Conference. Next comes the body of the reports which the Conference has just tacitly agreed and which represent the more or less unanimous conclusions of the Conference, expressed through its Drafting Committees. I have then to edit these texts in such a way that they will read as the considered opinions of Conference, not merely of the Committees. It is also important for posterity to know who took part in the Conference and what organizations in which countries nominated them as delegates or observers.

Dr Saxena very kindly said that, after I had told Conference what is to follow after its close, I might make some remarks on my own account. And I do want to say one thing, as probably the oldest Co-operator here present, after more than sixty years of activity in the Co-operative Movement: after being ten years or more out of harness, to come back to a Conference like this and feel the spirit it has displayed is one of the most comforting things an oldish man can experience. This is the feeling that International Co-operation, in our sense of the term, is still on the march—and not merely marching, but on the right road.

I take home from the Conference the phrase which Mr Braun has made current amongst us, “the organisation of solidarity”. I regard solidarity as the first and last consideration in co-operative work. There are Co-operators, friends of mine, who say that democracy is the essential principle of Co-operation, and I do not agree with them. If you cannot maintain solidarity, if—once united—you cannot remain united, then democracy has no field in which it can be practised. Hence the first

and last lesson to be mastered by Co-operators is the need to unite and stay united. After all, the Movement already has a long history. I hope that it also has a long future before it. All the time there will be the need to unite and to use the force which only unity can give. It is power that we seek all the time—to generate power and employ it in the interest of the common people everywhere. I hope that none of the detail in the reports will obscure the vision of any one of you. After practising solidarity between individuals, the societies and unions which we create must also practise solidarity amongst themselves, so that the Co-operative Movement goes forward to spread throughout the world that solidarity which the world unfortunately so badly needs at the present time.

The Chairman then invited DR MAURITZ BONOW, President, ICA, to deliver the closing address.

Dr Bonow thanked all the delegates for their contributions to the discussions, as well as the rapporteurs and the sectional and general drafting committees. In a review of the work of the Conference, he referred to Mr Burke Knapp’s remarks on inflation, agreeing that it was necessary to look for a comprehensive approach to the solution of this problem. He was especially happy that Mr Lacour had suggested that the International Liaison Committee should appoint a working group to look into the whole problem of inflation and its effects on Co-operative thrift and credit institutions. Because the causes of the phenomenon were complex and any solution would have to draw on the experience of a wide variety of experts and institutions, he hoped that the work of the study-group would have the advice and support of the World Bank group of organizations.

It was, he said, extremely important that we Co-operators should try to

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relate our own problems to questions of international development. The world must have a better balance, certainly in terms of levels of economic and social development. The long-term perspectives, in respect of available resources of energy, non-reproducible raw materials and food, compared with the rapid and huge increase in world population, give cause for great concern. It is imperative that a massive increase and re-orientation of development policy, to take into account both economic and social objectives, should take place.

Dr Bonow recalled Mr Burke Knapp's emphasis on the need for intermediary organizations to help financial and technical assistance to the vast rural population in the developing countries, and the reference in the statement of the UN Assembly on the Second Development Decade, to Co-operation as means of channelling assistance. General declarations of this type, said Dr Bonow, are very valuable as guidelines, but to find ways of implementing them in practice was just as important. He recalled the variety of institutions and methods which had been mentioned in the Conference and submitted that the time is now really ripe to bring these resources together to channel

support to sister organizations in developing countries. Avoiding overlapping, it was necessary to join forces to achieve the maximum impact on world Co-operative development. This can be illustrated by the increasing collaboration in the field of education already planned through the Advisory Group on International Co-operative Training Centres (AGITCOOP).

Dr Bonow hoped that the recommendations emerging from the Third International Conference on Co-operative Thrift and Credit would contribute to strengthening savings and credit co-operatives and co-operative credit institutions in order to promote the economic interests of their members throughout the world. He concluded by extending thanks in the name of the Conference to all responsible for its organization.

The Chairman thanked Dr Bonow, not only for his address but also for the persistent support he had given the Conference over the years in overcoming its many difficulties and problems. He hoped to meet the delegates again at the next Conference, which might well take place in South-East Asia, as India, Malaysia and the Philippines had already extended invitations.

## SECTION II

# Report and Recommendations of the Conference

### A. Motivation Problems

1. The reports presented to the Conference on the problem of motivations by Messrs. Charron, Lacour and Coste lead to conclusions which the Conference adopts, as follows:

- (1) Co-operative action is justified by its motivations whose aims are to meet economic needs and to achieve collective goals of material and spiritual wellbeing. The credit requirements of those who are qualified to make the best use of such credit are met by voluntary thrift on the part of members of the community. The solidarity thus organized by the savings and credit co-operatives gives the savers a sense of participation in economic life and of constructing a human society in which they can take fuller control of their destiny.
  - (2) The Conference stresses the dangers of a form of saving whose structure tends less and less to meet the requirements of long-term development and maintain its growth. The Conference recognizes the risks of behaviour patterns which too often, in an economy of plenty, lead to spurious saving, that is, an inadequate form of saving which is not sufficiently mobilized to finance productive and social investments, a form of consumer saving rather than of investment saving, and saving the growth-rate of which is illusory if inflation absorbs the real value of investments which tend to remain too liquid.
  - (3) The Conference is conscious of the shortcomings in theoretical analysis of savings motivations and would like to see practical studies undertaken in every country. It recognizes the fact that thrift is often ephemeral in that savings are accumulated in banks for only a few months in order to purchase some consumer good, but affirms that, in contrast to private enterprises, mutual credit and co-operative credit provide means, by their educative action and specific techniques, of ensuring greater stability for their members' savings.
  - (4) The Conference feels that the rate of interest which influences the pattern of investments does not provide sufficient motivation at a time when prices are rising steeply. This being so, it affirms that credit banks must adapt themselves to the most modern techniques of banking practice and develop them in the light of their specific characteristics.
2. The Conference does however recommend that consideration should be given to the *new motivations* advanced by the various rapporteurs and speakers from the floor whose objective is to find techniques which are suited to their respective countries and which are effective, such as:
- The need in developing countries to inspire confidence and provide investment opportunities by developing co-operative institutions.  
On this particular point the Conference accepts the suggestion of Mr Theo Braun who proposed the possibility of "transfers" in their favour in the name of international solidarity.
  - The need for improved quality in all spheres (consumption, provision of housing, etc).
  - The need for a more human environment and way of life.
  - The need to provide aid for the handicapped of all kinds and for immigrant workers.
  - The needs of the elderly.
  - The needs of small family businesses.
  - The defence of the value of inheritances and the peoples' savings against the onslaughts of monetary erosion.
3. The Conference likewise accepts that the fight against inflation is becoming the most urgent preoccupation of savings and credit co-operation. Indeed inflation endangers credit co-operation and all its motivation. The Conference commends for study:
- (1) Kooperativa Förbundet's experience in the matter of the revalorization guarantees for loans granted to savers;
  - (2) The suggestion of Mr Theo Braun, President

## Section II Report and Recommendations of the Conference

of the Confédération du Crédit Mutuel de France, which consists in obtaining a premium for the *provident savings* of small savers, to compensate for monetary erosion, which would be provided by the State from the additional resources accruing from inflation; and introducing for *development savings*, which finance longer term productive and social investments, a genuine revalorization deriving from those investments (participation bonus on results).

The Conference considers, in effect, that rates should retain their commercial nature. If the rates paid to creditors rise to a level incompatible with the maintenance of the rates paid by debtors, the very reason for the existence of mutual credit is brought into question.

4. Finally, the Conference, in accordance with the wishes of the delegates, places on record that means must be found by the Thrift and Credit Co-operative Movement to combat inflation and "save saving". In line with Mr Lacour's report, the Conference would like the International Liaison Committee to set up a study group consisting of savings and money experts and responsible theorists, whose terms of reference would be to examine the technical bases for solutions to be submitted for the views of a wider Conference. The aim of such a Committee would be to analyze and define ways of combating inflation and to draw up a list of measures for effective action.

### B. Education and Training

The reports presented to the Conference and the ensuing discussions led to the following conclusions:

#### 1. The Need for Education and Training

It is recognized that education and training are necessary elements in the development of a Co-operative Movement. It is generally felt that education and training, more particularly teaching methods, are not always well adapted to the needs of the Co-operative Movement in both developed and developing countries. Education and training should be directed particularly to the following groups (audiences): members; elected leaders (i.e. members of Boards of Directors or Committee members); employed (professional) personnel; managers.

Over and above these "traditional" groups, the need also exists for directing educational programmes to:

- the general public, especially young people from whom future membership will be drawn;

- trainers (those charged with the task of conducting educational programmes at all levels);
- women (who have a considerable influence over family finances);
- national leaders and administrators (particularly those in positions of influence on development policies).

The need for research in the field of thrift and savings co-operatives is now being felt. There exists a need for co-ordination of educational and training programmes at international level. (See also Para. 4 "International Collaboration".)

#### 2. Objectives

Education and Training Programmes should aim at:

- serving the members in the most efficient and satisfactory manner (for their own prosperity);
- encouraging thrift and not only credit;
- bringing about the awareness that thrift and credit co-operatives have to operate as business institutions, and that whilst adhering to co-operative principles and maintaining the co-operative element, they should not be lured away from strict business procedures into giving credit on a concessional basis;
- emphasizing the importance of directing credit to defined production goals rather than consumption only;
- enabling the members to *participate* in the general process of developing and not behave as *passive objects* in the process;
- providing education in the management of family budgets;
- motivating members to participate more actively in other fields of fundamental adult education (see "Methods and Programme Coverage").

#### 3. Methods and Programme Coverage

In view of the high demand for education and training, particularly at the grassroots level, and the existing shortage of trainers, it is essential that educational programmes should provide for the training of trainers—preferably using methods which will bring about a multiplier effect at low cost. e.g. the training of study circle leaders.

Educational methods should be adopted that can transfer knowledge and skills and at the same time bypass illiteracy, particularly in the developing countries where illiteracy affects the effectiveness of educational programmes. Possible



methods, some of which are applicable to developing countries, are:

- discussion groups, study circles and short one-day courses/seminars;
- members' annual general meetings and similar forums;
- educational films, slides and filmstrips;
- educational radio and television programmes;
- - inclusion of co-operative studies in the syllabi of institutions of higher learning—e.g. universities;
- introduction of Thrift and Credit Co-operatives in schools (even if on a small scale);
- linking of education and training in thrift and credit with the process of wider social change: thus educational programmes should not simply deal with borrowing and saving, but also with other aspects of fundamental economic, financial and social education—such as family welfare, child care, nutrition, etc;
- exchange of personnel of thrift and credit co-operatives in developing and developed countries, so as to gain experience and skills at all levels;
- production of literacy follow-up material (specially designed to promote functional literacy);
- more emphasis in training programmes on the quality rather than the quantity factor;
- training programmes for professional personnel should be directed to those already serving in the movement rather than to arbitrarily recruited trainees;
- on-the-job training for professional personnel.

#### 4. International Collaboration

There is a felt need for international collaboration in the field of education and training. Current aid programmes from developed countries to the less developed countries are highly appreciated and should be encouraged and continued. The effectiveness of international aid depends largely on the internal infra-structure of the recipient country.

Developed countries sponsoring educational programmes in the developing countries should take into account the need to tailor these programmes to local needs. Technical assistance to developing countries should aim at, among other things, training local counterparts and leaders. In recruiting candidates for training in developing countries, preference should be given to those in senior positions who after training

abroad will be capable of transferring the new skills and experiences acquired to local needs, and of influencing development policies and programmes. Training programmes in such developing countries should be followed up by the sponsoring countries.

The formation of the ICA Advisory Group on International Training of Co-operators is highly appreciated; it is hoped that this body will be instrumental in co-ordinating international programmes, exchange of ideas, experiences and personnel, the recruitment of candidates for training abroad at an international level and the development of suitable syllabi. The existing collaboration between international organizations such as the international Co-operative Training Centres and other organizations is highly appreciated, but it is felt that closer collaboration and systematization of the work of these institutions is required. There exists a need for developing educational materials, methods and techniques at an international level. In this connection the work currently being undertaken jointly by the International Co-operative Alliance and the Co-operative League of the United States of America will, hopefully, meet this need.

#### 5. Problems in Education and Training

Some obstacles which frequently cause difficult problems of education and organization are:

- inflationary pressures (resulting in lack of incentive and motivation to save). This calls for member education on the root causes and solutions of the problem;
- pitifully low incomes, making it difficult for the effective flourishing of thrift and credit co-operatives;
- lack of funds and resources (mainly manpower resources) and adequate facilities;
- - lack of initiative by the co-operatives themselves (especially at grassroots level). It is also felt that education and training is not given due recognition by co-operatives, and that funds allocated to education and training are often directed to other uses when financial problems occur;
- lack of exchange of educational materials and translations;
- drainage of qualified and experienced personnel from the movement to Government departments and other (often) better paying jobs;
- cultural norms which stand in the way of development (e.g. prejudices which do not allow women to participate in educational and other programmes).

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### C. Business Strategy for the Development of Co-operative Thrift and Credit Societies

By "strategy" the Conference understands the following three basic elements:

- (1) Definition of, and adherence to, fundamental objectives in keeping with the spirit and driving force of the founders of the Co-operative Movement;
- (2) Selection of the intermediary agency or agencies through which the objectives of the association will be implemented;
- (3) Examination of those resources at the disposal of the association and the day-to-day operating conditions to which members and leaders of co-operatives must be responsive if sound and realistic policies are to be pursued and if co-operative societies are to carry out their stated mission.

In the light of the foregoing, the end-purposes of the co-operative thrift and credit society are:

- (1) To serve the interests of the members in the best possible manner;
- (2) Continued growth, tempered by just and worthwhile economic and social considerations;
- (3) Association at national level with other co-operative organizations, and close links with trade unions, mutual associations and other organizations which share the same spirit; and
- (4) Closer relationships at the international level with kindred agencies.

The means of bringing about the above-mentioned objects comprise the following:

First, at the *primary* level,

- (1) a greater variety of services should be offered to the membership;
- (2) for the sake of economic viability, more membership needs to be attracted;
- (3) services should cover wider geographical areas with the objective of adequately meeting, in particular, the production needs of the weaker sections of the community—small farmers, artisans, traders and household industrialists—if the primary society is to become and remain a competent partner in economic and social regeneration;
- (4) operations on a day-to-day basis should be more efficient and businesslike;
- (5) personnel should have up-to-date training consistent with their tasks; and

- (6) more information needs to be shared and greater emphasis placed on education, both horizontally and vertically, so that there is assent and continuity in operations and membership participation in their co-operatives will be full and conscious. A side-benefit of this greater role of education in the life of the primary society would be a better understanding of the rights, duties and responsibilities of the membership, as well as a greater feeling for the need of integrating the co-operative thrift and credit movement at the national and international levels.

Turning to the *secondary* level of co-operative thrift and credit society operations, apex structures need not necessarily be in strict co-operative form. No loss of co-operative philosophy or erosion of the democratic character of the primary level by the proposed relationship between a co-operative and a joint-stock company need be expected, particularly if strict attention to the six points regarding the basic co-operative structure are adhered to. However, co-operative ownership is essential. The experience of India has demonstrated the possibility of the economic co-existence of primary level thrift and co-operative bodies with incorporated apex structures.

Finally, the following ideas are applicable at *all* levels of operation:

- (1) The fundamental practice and ideal of thrift has to be re-inculcated among the membership.
- (2) A full range of banking facilities must be maintained to attract depositors.
- (3) Greater government assistance may be invoked in order to ensure deposits along commercial lines and to remove limitations on certain needed co-operative operations which, if carried out, are likely to attract deposits from public and semi-public constituents.

### D. Structure and Rationalization

The Conference approved the major ideas submitted by the drafting Committee as follows:

Mr Theo Braun emphasized the fact that, as opposed to those undertakings whose motivation lies in profit or service to the State, Mutual and Co-operative Credit opens up vistas of an original type which meet the aspirations of contemporary mankind in both the industrialized and the developing countries.

These aspirations today take the form of

an increased desire for participation and for the organization of a more fraternal society.

This type of new undertaking, by shifting the power of a minority of holders of capital to a community of free men with joint and several responsibility, and substituting the notion of service for that of profit, has become the basis of the community enterprise. Its main objective is to organize active solidarity combined with a sense of interdependence.

If it is to justify its social effectiveness and its economic dynamism, the co-operative and mutualist organization must provide itself with structures which satisfy both its social aims and market requirements. Such structures must both ensure quality services at minimum cost by means of rational management and at the same time strike a happy balance between efficiency and democracy.

Successful practical experiences have led to the adoption of a dual structure:

horizontal, in which financial activities predominate, and

vertical, where there coexist financial, administrative and political activities.

The system as a whole, which is inspired by the consistent application of the principle of co-operation among co-operatives, rests upon:

- (a) the basic co-operative whose autonomy must be preserved and whose size must remain on a human scale if it is to retain awareness of and control over individual risk;
- (b) the intervention of a second level to assume responsibility for additional or common administrative and material tasks;
- (c) the existence of a third level, that of concerted action and co-ordination, whose object is to strengthen that cohesion which is vital to any undertaking in a competitive world.

Balanced participation of each decision centre in the global activity results from the federalist structure and the rule whereby the upper level is normally called upon to carry out only those tasks which cannot normally be done by the lower level.

The relationship between the various centres of responsibility, which by their very essence derive from the collective will, are thus based on a dialogue structure from which the organization policy emerges. It is therefore not the principle of contract which determines these relationships, but the institutional rules defined by the constituent members of the group.

For his part, Mr Benzing of the Friedrich Ebert Foundation, dealing more specifically with the advantages and drawbacks of concentrated structures from the viewpoint of the developing countries, stressed the point that it is important to analyze the influences of the economy in general in this sphere if we are to avoid taking a too restricted view of co-operation. The economic effectiveness and the democratic structure of co-operatives must be looked at both from their horizontal and vertical angles.

The two United Nations Development Decades include the encouragement of co-operatives and self-help organizations. In these programmes thrift and credit hold a key position. Inherited systems and unsuitable technologies bring special problems in the light of the population explosion.

There is direct and indirect dependence between the developing countries. If we are to put this right financial help is necessary—but above all training facilities must be provided.

The list of solutions must be very flexible and will extend to the protection of co-operatives by the State itself. The pressure of competition must be taken into account. Modern promotion strategies of self-help organizations must not stray too far from economic necessities in the strict sense. In certain cases the concentration of technical resources is particularly vital in achieving efficiency.

The basic positions differ according to the orientation given to the system of co-operation.

Analytic and strict accountancy methods can be advocated if the business volume of a *multi-purpose* body is very high. However, efficiency depends much more on the initiative and level of training of personnel rather than on the nature of the co-operative enterprise.

Any co-operative fiscal system must take into account the trend of general development. Co-operatives need fresh means of access to re-financing markets.

The qualities of a partnership and of co-operative democracy also guarantee contact with the base and the economic mobilization of poor and marginal groups, and must take two factors into consideration:

- (1) co-operatives have a very important economic and social role. Their development and growth depend however on their economic environment;
- (2) in the context of development policy, the driving power of this sector is considerable. Co-operatives themselves must become conscious of this fact.

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Mr Hayashi, by concrete examples of the efforts made by his organization to rationalize agricultural co-operation, offered a substantial contribution to the delicate problem which faces the Co-operatives: reconciling the preservation of basic principles with increased efficiency. Various interventions based on experience of national organizations, confirmed the main line of the reports presented and enlarged on them.

All were of the opinion that it is on the quality of service provided, the participation of each and every one in responsibilities, and the organization of solidarity that the original character of our Movement is based, and that it is now up to us to inform and train men and women accordingly.

### E. International Co-operation

The background for the Conference's consideration of international co-operation was set by Dr Hesselbach's survey of the world monetary situation with its accompanying symptoms of inflation, excessive liquidity and floating exchange rates. Despite these immediate difficulties in the way of developing more widespread collaboration in the field of savings and credit, Dr Hesselbach's outlook was far from pessimistic. The international Co-operative Movement still had opportunities of assisting co-operative movements in the developing countries to make progress by means of credits channelled through co-operative financial institutions closely linked with co-operative production and commercial activities. Moreover, these co-operative institutions can serve as intermediaries between other sources of financial and technical assistance, for example the International Bank for Reconstruction and Development (World Bank), International Development Association, International Finance Corporation, United Nations Development Programme and governments of industrialized countries and co-operative projects in developing areas. In this connection, Dr Hesselbach stressed the importance of close collaboration between co-operatives and trade union labour banks, and also the willingness of INGEBA to act as the channel for this transfer of resources.

Mr Grethe elaborated some of the prerequisites for developing international collaboration among co-operative credit institutions throughout the world. Governments, he said, must facilitate the free flow of international trade and actively promote its development by loosening restraints on the transfer of goods, services and capital. Moreover, the industrialized countries must participate in development efforts in the Third World, while the developing countries must

create a favourable political, legal and administrative climate for these efforts. Intensive efforts should also be made to train co-operators and technical assistance in developing countries; there is at present a serious dearth of such experts. Finally, Mr Grethe underlined the importance of international co-operation of human personal contacts.

Against this backdrop of world crises the other two speakers outlined concrete action programmes designed to exploit the full potential of co-operators in promoting economic and social development. The programme described by Mr Robertson has already been put into effect by the world credit union movement, primarily on the American continent; that proposed in the study just published by the ICA in collaboration with ILO, FAO and COPAC ("International Financing of Co-operative Enterprise in Developing Countries") suggests measures that could be instituted by the International Co-operative Bank (INGEBA) on behalf of the international co-operative movement.

The two programmes are remarkably similar in terms of their major components, namely:

(1) The creation in developing countries of a network of co-operative financial institutions equipped to generate and mobilize indigenous savings and provide technical assistance for directing these savings into the productive investments required for economic and social development.

(2) Tapping various sources of external aid from co-operatives, governments, private investors and government and non-governmental international organizations to supplement this indigenous co-operative effort, specifically through mechanisms for:

- co-operative interlending at the national, regional and international levels;
- co-operative loan guarantee funds;
- channelling through credit unions and co-operative banks funds provided by international development institutions, including the World Bank group, and by private investors; and
- technical assistance for feasibility surveys, project preparation, managerial and technical expertise and training of local co-operative personnel.

Mr Robertson outlined what he characterized as an ambitious and long-range action programme by credit unions. He stated that the

crucial development problem is agricultural production credit for the small farmer, and proceeded to describe the International Interlending Programme (IIP) directed to this problem. Participants in the programme include:

- the International Credit Union Services Corporation (ICUS), which acts as executing agency;
- the US Central Credit Union which makes the loans;
- the Overseas Private Investment Corporation which provides investment guarantees on loans made by the US organizations for development overseas;
- the Latin American Confederation for Co-operative Thrift and Credit which integrates national credit union federations of 2,500 credit unions in Latin America;
- the World Council of Credit Unions (WOCCU) which is made up of seven regional confederations of credit unions and which provides technical assistance and expertise to the IIP efforts; and
- the WOCCU International Guarantee Fund which facilitates the flow of capital to credit union organizations.

Already some 10 million dollars have been lent to credit union federations in eight Latin American countries, primarily from credit unions in Canada and the United States, and have been repaid. Mr Robertson stressed that the credit union lending programme is not on a subsidy basis; the aim is to be consistent with normal commercial transactions on a free and open money market.

Mr B. Tronet, in introducing the study on *International Financing of Co-operative Enterprise in Developing Countries*, made special reference to the work of Mrs Stettner (ICA) and Mr Watzlawick (ILO) in preparing the study. He sketched its main features, particularly the proposals to:

- strengthen the co-operative "substructure" at the local level in developing countries through farming, credit, supply, processing, marketing, artisanal, industrial, consumer, housing and multi-purpose societies for which external support is ultimately intended through the building up of a network of national co-operative servicing facilities;
- expand existing INGEBA activities to include facilities for stimulating increased co-operative interlending to co-operatives in developing countries, and for channelling funds from international development banks including particularly the World Bank

group to such co-operatives, in some cases on concessional terms;

- encourage the international co-operative movement and related or "friendly" institutions to provide guarantees to co-operative enterprises in developing countries; and
- provide technical and advisory services in connection with such loans and guarantees through a new Consultancy Department in INGEBA.

A theme common to practically all the speakers was the need for concrete action in the immediate future designed to facilitate increased collaboration between co-operators on a world-wide basis, and also the readiness in all quarters—the credit union movement, co-operative insurance institutions, INGEBA, ILO and international financial institutions—to contribute to this collaborative effort.

In the words of Mr Tronet, "We all feel the need to do something now, and the time has come for active collaboration between all those working in the same direction."

## F. Regional Co-operation

The Conference agreed that there was a problem in defining the word "regional" in the context of the present discussion, and also that the discussion implied the substitution of the word "continental".

The report accordingly proceeds from the primary to the national, regional, continental and international levels.

Although the final goal of co-operatives is self-sufficiency, there is an ever-increasing need to satisfy the demand for credit for productive purposes in developing countries. Therefore, external assistance is needed. This has led to the formation of various national associations and then on to regional collaboration of various kinds. Examples of this collaboration presented to the Conference were the International Co-operative Alliance, the African Co-operative Saving and Credit Association (ACOSCA), the Latin American Confederation of Credit Unions (COLAC), and the Asian Confederation of Credit Unions (ACCU).

The objectives of these organizations to support their member federations included the following areas of activity:

- (a) training and education of staff and members, particularly management training;
- (b) technical assistance advice in various fields;

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- (c) information exchange, discussion of common experiences;
- (d) research;
- (e) capital inputs—a key problem;
- (f) insurance.

The Conference recognizes that it is highly desirable for continental co-operation to precede international co-operation although this may not always be the case.

An area of particular concern was the role which governments play at the national level, which should be more of a regulatory and supervisory function, rather than one of unnecessary interference and control. The problem is reflected at the regional level and concern was expressed that, for example, the Regional Development Banks are often either unable or unwilling to respond to the credit needs of small farmers through their own democratic organizations. All financial channelling institutions should be responsive to the needs of low income people and this is best achieved by channelling funds in the manner noted above, i.e. through their own institutions.

Among new developments reported at the regional level was the proposal to create an Asian Co-operative Development Bank which would be owned by co-operatives in that region. Governments would be asked to support the Bank, perhaps by providing guarantees, but would not have control.

Regional financing organizations should be aware of the need for capital assistance, accompanied by technical assistance of various kinds, so that the credit provided can be used most effectively. One way in which this might be done is through joint ventures, combining, e.g. the purchase of grain with advice on its production and marketing. A project exists in which Japanese and Thai co-operatives collaborate in this way. Consumer co-operatives in developed countries can play an important role in establishing joint ventures with co-operatives in developing countries and act as a countervailing power to multinational corporations.

In short, it is the business of regional organizations to put external capital in the right hands and to do this they need to be both efficient and sympathetic. Co-operative movements have first to work with indigenous resources to prove their credit-worthiness and then to convince external lending agencies of this.

It was emphasized that co-operation in all continents is vital.

The Conference adopted two specific proposals, made both in this section of the agenda and

in the section on international co-operation, for the consideration of the International Liaison Committee:

- (1) that the operations of Regional Development Banks, with regard to their ability and willingness to give credit to small farmers and similar groups, should be studied;
- (2) that the possibilities for positive action on the recommendations of the International Finance Study should also be examined.

### G. Summary Report on Regional and International Co-operation

Despite a highly disquieting world economic situation marked by widespread inflation which threatens the maintenance of the existing level of trading and the prosperity of every country, the Conference, after an exhaustive exchange of views, notes with satisfaction the fact that, since its last meeting in Paris in September 1970, the Thrift and Credit Co-operative movement has seen even further growth both in the industrial countries and those which are not yet industrialized.

This growth is explained by the response which the thrift and credit movement brings to the needs expressed by peoples and to the aspirations to which it gives rise.

The Conference unanimously expresses its intention to strengthen international co-operation both at world level, at the level of each of the continents and at that of the large regions.

The organization of solidarity, which is the basis of the Movement at national level, must be extended to international level. This solidarity must find its expression, in the light of the demands put forward nationally, at the level of large territorial groupings and on a world scale.

The needs expressed include:

- technical aid in all its forms;
- training in the role of co-operation and mutuality; and the forms of organization which arise therefrom;
- exchange of information at world level between all the members of the co-operative and mutualist family;
- financial co-operation aimed at contributing to the development of the developing countries.

It was placed on record that, within the framework of the International Co-operative Alliance and of the World Council of Credit Unions, this solidarity is already to be seen in

concrete action directed by existing regional confederations and international co-operative banks such as INGEBA in association with the World Bank, ILO, UNESCO, FAO and COPAC.

The Conference resolves to strengthen this international solidarity and to give even further tokens of it by positive actions; to this end, to provide itself with a formal structure, for which it wishes a place to be found within the ICA. Such a structure will enable it, while respecting the original character of national or international organizations, to create unity despite the diversity of its con-

stituent parts, with a view to effective action.

This will, expressed in the written reports, must find its implementation in organization, facilities and resources.

In this spirit, the Conference takes into account all the suggestions advanced, whether by the representatives of credit institutions or by the delegates of continental or world organizations. The answers will be given to them in accordance with a prepared programme which will meet the wishes of those attending the 3rd International Conference on Co-operative Thrift and Credit.





## SECTION III

# Principles, Problems and Strategy of Co-operative Thrift and Credit: Extracts from Working Papers

## Co-operation and Democracy

by P. E. CHARRON

*Joint President & General Secretary, La Fédération de Québec des Caisses Populaires Desjardins, Canada*

The concepts of co-operation, democracy, motivation, participation and efficiency relate to a frame of mind and human behaviour, as well as to social, economic and political activities which are inter-linked. It is not possible to achieve democracy without citizens' enlightened participation. Co-operation, which is a human activity, calls for motivation, the latter being necessary for co-operative activities which naturally aim at efficiency.

The co-operative is a society of persons owning an enterprise which they use with a view to satisfying common economic needs; these persons are at the same time the owners, the users and the beneficiaries, and the co-operative is administered by representatives whom they elect in accordance with the democratic principle of one man, one vote.

Democracy and co-operation find their inspiration in a particular philosophy of life resulting from our conception of the human being and his responsibilities towards the common welfare of society. A liberal political democracy is founded on the principle that the individual is society's supreme value; citizens are to pursue their individual interests, and then general well-being, seen as the total sum of each person's well-being, will result from their individual activities.

This rationalist and individualistic

philosophy has enlarged out of all proportion the functions of intelligence, disregarding mankind's psychological and spiritual dimensions; it has unduly reduced the essential function of will, that is to say moral and social education apparent in citizens' good behaviour; and replaced it with the sole satisfaction of individual interest as the motivation of citizens' actions and as a principle of social life. For this reason, it has not achieved the good results which its authors and followers expected.

### **Co-operation's and Democracy's Philosophy of Solidarity**

No doubt, co-operators act within enterprises according to their judgment's criteria, but in doing so, they are driven by a will which is motivated by a desire to achieve common good; this results from the implementation of collective objectives which unite co-operators, renders more significant their personal efforts and makes them conscious of the necessity and value of their personal solidarity and responsibility towards the group's common good. Co-operation's philosophy of solidarity is based on people's common good and therein they find their own good. Co-operatives, which co-ordinate members' personal efforts and facilitate self-help, find inspiration

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in such a social philosophy and find their place in a democratic society meant for the development of people and of the society within which such persons are integrated.

But what is a democratic society for development? What is the contribution made by thrift and credit co-operatives to this democratic society for development of people and the community?

Going back to the new economic start which began after the last World War, the development concept had the purpose of measuring the improvement of the economic situation; the criterion used to judge the more or less advanced state of a society was the state of development or the state of its economy. Economic and social research had enabled us to discover that economic development could not be achieved without profound changes in the political and social structures. As a first concept, social development was identified with a better allocation of goods and services. The criterion of development, emphasizing the allocation rather than the quantity of goods and services, was related to that of the standard of life. To this concept of improving the standard of life through a better allocation of goods and services, was added the idea of the quality of life. The concept of social development was linked to the concept of economic development. The criteria of economic development and of social development of persons and the community henceforth refer to systems of values and to a philosophy of human and social life. Everyone in our industrialized societies can note the consequences of the considerable increase in the standard of life, on the way of life of citizens, on social relations, on human values. The democratic society for development covers all activities in the life of citizens and the society. It is the development of the citizen in his political, economic, social and cultural life. It is also the development of the society which groups citizens together. Economic development, social development, cultural development, political development, are all inter-related. Citizens must be encouraged to participate actively in all these developments.

Thrift and credit co-operatives adhere to these requirements for the development of

citizens and of the society in which they are integrated. In this connection, co-operatives, in the pursuit of their objectives, make a contribution through their activities for the development or promotion of people and of the society in which they live. Co-operators, brought together in such institutions, must find in them the motivations needed for their activities.

#### **Motivation and efficiency in thrift and credit co-operatives**

Those who administer thrift and credit co-operatives are well aware that their life and efficiency are conditioned by the motivations of those who belong to them, take part in their operations, support them and benefit from them. If they are to be well-motivated in their active participation in its operations and in the faithful discharge of their functions, the members, leaders and personnel must be truly conscious of their thrift and credit co-operative's economic, social and human objectives. The members bestow upon themselves the power to satisfy their financial requirements through an enterprise which they own jointly; and they assume the responsibility of managing it in accordance with their requirements. Savings are started and ended by them. Its economic activity is one of the forms of human life. It is logical that co-operators should find within themselves the resources enabling them to assume efficiently the responsibility of organizing their economic activity.

There is no doubt that co-operative activities are of an economic nature; savings deposited for common use have an economic function; they create a source of credit for the production or consumption of goods or services. However, these co-operative activities, aiming at self-help through mutual credit, are made possible because of their moral and social dimensions. Thrift is the fruit borne by savings and this is an aspect of human foresight; it is based on the intelligence and will of persons responsible for their own future. In addition, the pooling of savings to create a source of credit results from the will of citizens who know, appreciate and wish to help each other; their self-help actions

originate from moral and social values by which they are motivated. Therefore, in its source and effects, mutual credit acquires *moral and social dimensions* which add value to members' economic considerations.

The motivations which lead us to action play a very important role in our behaviour. Not only do they influence the nature and direction of our activities, but they also encourage us to act in order to effectively attain the objectives we pursue. Motivation in co-operators, who are agents conscious of their own development, is especially necessary as their co-operative activities are more demanding. They must first agree on common objectives and on efficient ways of achieving them. They must also pursue these objectives in a sustained manner and must be fully aware that their active participation in the operation and administration of their co-operative is absolutely vital. It is also necessary that they should accept and carry out, when the need arises, the actions required to attain such objectives. Co-operative education enlightens them on these objectives and on the reasons for common action; by knowing the value of the objectives pursued, they acquire the necessary conviction which encourages them to behave and act, under all circumstances, as *true co-operators*. Such conviction, which finds its expression in co-operative activities, transforms them by creating within them a new frame of mind. Co-operators, who place their trust in their own personal efforts and in mutual self-help, find within themselves the first motivations leading to co-operative action.

### **Greater motivation of members**

Thrift and credit co-operatives develop in their members a sense of belonging, of taking part in the operation, administration and control of their institution, a sense of personal effort, solidarity, self-help, savings and thrift, all of which are gradually acquired by repeated acts. The member-depositors are invited to include in their budget their precise objectives *for thrift which represent a powerful motivation for saving*. The member-borrowers are encouraged to make efforts to administer

efficiently their budgets in order to repay their loans regularly. Members who are encouraged to develop these activities acquire better self-control.

This economic and social training of members of thrift and credit co-operatives is vital in the context of our industrialized and urbanized society where technical environment and communication networks shape citizens and condition their behaviour.

The leaders of the thrift and credit co-operative movement must arouse in their members an interest in developing greater participation in the life and direction of their thrift and credit institutions. It would seem that this need is felt to a greater extent by a population which has become more demanding, no doubt because it is better educated and more apt to demand rational explanations from those to whom it has given a mandate.

The consumer society promises the democratization of enjoyment of material welfare. But man does not live by bread alone. Our modern society must concern itself not only with satisfying material needs, but also those of cultural, moral and spiritual life. This is a fact of current observation: as soon as living conditions are improved to the point of guaranteeing to men everything which is essential for their material life, their needs become more sophisticated, their motivation in the face of needs becomes less material, they become demanding as regards the quality of goods they require and their needs change and become greater. Today, citizens appear to take greater interest than before in institutions capable of improving their living conditions; they like to see for themselves what these institutions can give them, to compare services provided, and their attitude towards their enterprises becomes more demanding.

The pressing invitation, supported by positive gestures which were as efficient as they were eloquent, extended by the founder of the popular savings banks to his fellow citizens, to undertake the establishment of economic democracy as a *necessary condition* for their economic, social and political freedom, has not lost any of its value; quite the contrary, this invitation appears today as pressing as ever. The citizens of today's world

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want *democracy, which is basically a frame of mind*, an attitude which assumes the respect of others, truthful communication among human beings, a collective pursuit of objectives which establishes a profound solidarity among people. Human freedom and dignity are guaranteed in a trustworthy pledge given by co-operators whose activities are carried out in the framework of the community, who pursue their own interests through the implementation of common objectives.

It is this awareness of a personal and collective pledge which must be developed in the members of our thrift and credit co-

operatives. It is an ideal towards which one should work without thinking that one will never attain it. Everyday co-operative activities, if they are conscious, enlightened and well-motivated, help to get closer to this ideal, and to promote a true democracy which requires the citizens' enlightened and motivated participation. For, before being producers and consumers of goods and services, we are all men, rational, free and voluntary human beings, with moral and social values, with a feeling of solidarity towards one another and, joined in the communion of one and the same reasonable nature, wishing each other well and ready to help each other.

### (1) New Incentives and Modern Problems

#### (2) Saving—True and False

by Prof R. COSTE

*Director of Studies, Centre of Research Economy on Thrift & Credit (France)*

#### (1) NEW INCENTIVES AND MODERN PROBLEMS

. . . Not only is the task of co-operative credit in the sense of mutual aid still unfinished, but it is obvious that a new task is beginning with new perspectives and involving problems only recently revealed.

##### **Man and his Family**

New modes of living, the rise of a younger generation more numerous than before, with a new mentality, are factors tending to modify the organization of the family, the basic cell of human activity. The head of the family feels the weight of responsibility all the more since he thinks himself more isolated. The list of his needs lengthens, while he seeks support, advice, information from organizations which are not always those most competent to give this.

1. *The need of security.* In a world at peace for 30 years but hungering for security, the head of the family wants to be reassured. His greatest fear is naturally loss of income and what he has earned. With justified anxiety he organizes his own and his family's future. The risk of unemployment, the prospect of

retirement, the fear of accidental disablement are all understandable anxieties. He should be able to share his fears and hopes: the mutual savings association, the family bank, should, in the person of its committee or its staff, come to his aid and take care of the anxieties which can almost always be expressed in money terms, and provide solutions which are not necessarily financial.

But security also consists in the possession of a dwelling which ensures the expansion of the family. Not only those who wish to acquire property need to be serviced. The formation of co-operative renting societies must be seriously developed, the rents constituting the remuneration of those who contribute their savings. . . . The security so greatly desired is also to be found in the quality of dwellings. The amount of malpractice in building construction today is astonishing. The co-operative credit society will have more and more to act as adviser, expert and advocate. This is part of its mission to defend its members. What may be said of the quality of dwellings also applies to household equipment.

2. *The need of defence.* The defence of the

## Section III New Incentives and Modern Problems

value of people's patrimony and savings is also a new function for mutual credit in a world of price inflation. Consumers are organizing themselves on the example of the trade unions which are also beginning to take an interest in problems of thrift. But it is the mission of the thrift and credit co-operatives to carry on this general defence of savings and savers. It is good to promote saving but this can advance only on condition that people's savings are guaranteed against monetary erosion. Moreover, a patrimony should be diversified and not consist solely of liquid savings. Mutual credit will find itself in future certainly sought after to help in the constitution of a correctly-structured patrimony and perhaps to supply other credits intended to build it up.

3. *Temporary wants.* These, for example, result from important family events (birth, marriage, severe illness, costs of education, mourning, etc) not generally covered by the credit system, except by personal loans. But the latter are tied in with monthly income, and the need can be much greater. What is required is a credit reserve for serious purposes.

4. *Education and training for the young.* This really means intellectual and moral investment. No institution at the present time undertakes the financing of this type of investment. The family takes charge of it, if it has the means, and scholarships do not meet the need.

5. *Needs of the handicapped.* Help from social security and charitable institutions is not unlimited. The handicapped must be considered creditors of society, but it is within the family that they must win their victory. Co-operative and mutual institutions will be obliged more and more to help families in their struggle with this problem.

6. *Needs of old age.* Solidarity is acknowledged most often for the benefit of the younger generations. In mutual credit it is observed that the thrift of the elderly enables the young to borrow. That is normal, but the mutualist framework must recognize reciprocity, and that in future co-operators' savings must be directed towards help for the aged. . . .

7. *Need for leisure.* In modern society

leisure is no longer a luxury but a necessity. Rest, holidays, sport, tourism, impose on the less well-to-do intolerable burdens which co-operation must find ways of lifting by developing, for example, systems of "holiday savings".

8. *Health.* Social security and mutual benefit societies notwithstanding, the cost of health is a heavy charge on some budgets. Mutuality finance in this field will be confronted by the exigencies of large investment: medical centres housing several specialists cannot be established at present in thinly populated places because of the risks of excessive cost. As the public sector, any more than the private sector, is not fulfilling this function, it will be for the co-operative sector to undertake investments to ensure the provision of medical services and treatment on a more humane scale.

9. *A family banking institution.* Already some countries or regions possess, with the mutual credit associations, Desjardins and Raiffeisen, a developed structure of organizations which are close to the family and easy of access. But the territory is still far from being completely covered. The need for banks specializing in family financial problems will oblige the co-operative sector to extend in this direction, in accordance with the desires of the people.

### Man in Society

Social activity, excessive urban development, the evolution of wants, tastes and mentalities have given rise to a number of new needs, the satisfaction of which may be of interest to the Co-operative Movement.

1. *The need for collective equipment.* This includes, besides means of communication, various facilities intended to render the conditions of modern life less unendurable: for example, sports and cultural equipment. Access to these facilities, which are too small in number, is still very difficult. They obviously do not pay their way. The mutualist movement is already acting effectively in this field and mutual credit is playing a by no means negligible part in their finance. Nevertheless it is certain that future years will witness a development of these needs, the satisfaction

## Section III New Incentives and Modern Problems

of which will demand still more important contributions.

2. *Regional development.* Development is the result of industrialization, and co-operation can take initiatives which will be all the more brilliant if they are supported by mutual and co-operative credit. Industrial concentration achieved with the help and, of course, the consent of everyone, by facilitating the development of regions impoverished by under-equipment and vast economic changes can also be undertaken by co-operation following its general principles.

3. *The need for quality.* Quality of products, quality of life, become imperative in a wasteful society which is also a society of "new deprivations". Of course, productive and distributive co-operatives have the permanent mission of watching over the maintenance and improvement of quality. But in the field of mutualist finance in permanent contact with users who represent demand, there is need for deep reflection in order to place the institution in a situation to promote quality. The educational influence of mutual credit can certainly serve to guide demand. Financial power should also be developed to demand protection of quality on the part of producers. The first sphere for the application of this power is that of housing where malpractice is on the increase.

4. *A more human environment.* The problem of pollution and landscape protection rightly causes the population anxiety. This anxiety is felt even more among wage-earners and pensioners who have not the financial means to move from barbarous or unhealthy localities or to provide themselves with whatever defences or anti-pollutives are or will be produced. Here again an effort of reflection and imagination is necessary in the Co-operative world to devise procedures enabling co-operators to oppose and defend themselves against these hostile tendencies which are as widespread as society itself.

5. *Enlarged mental life.* Man was not created solely for material satisfactions, eating and sleeping. He was also made for thinking. Of course, material satisfactions, a certain degree of comfort, do not hinder the exercise of virtue, but they are not enough to enable

the individual to perform his thinking functions. In addition, he must have the time and the means, including financial means. The thrift and credit co-operative, in attempting to raise the standard of living of its members, can contribute to the enlargement of the means required for inner reflection.

### Man and International Solidarity

In a world which is expanding, thanks to means of communication and the speed of information, which has experience of co-operation on the economic plane, which sees its markets integrating with one another and its frontiers opening wider and wider, awareness of the inequalities between peoples grows stronger at the same time as international solidarity progressively extends. Notwithstanding the localization of conflicts, which inspire horror as deeply felt among the peoples at peace as among their victims or immediate witnesses, this solidarity can become from day to day a reason for optimism. Co-operation, which knows no frontiers, could rejoice if so much work did not remain to be done to relieve poverty in so many parts of the globe.

Financial mutual aid has here a considerable role to play, not only in countries already developing but also in those which have not yet become aware of their situation. We assert that the great motivation of the next decades for the savings and credit co-operative will be the reduction of inequalities between peoples. It can contribute better than the State, for it can take a position outside the various nationalisms. The launching of genuine international co-operation in the financial sphere must therefore be one of its chief objectives. If it does this, financial mutual aid is destined to become a real compensatory force in relation to the forces of inertia which tend to multiply the risks of bloody conflict. The world organization of the Co-operative Movement will be able, we are persuaded, to promote and support effective action, while maintaining respect for human liberty.

### (2) SAVING—TRUE AND FALSE

At the beginning of this century individual thrift greatly exceeded the needs of financing.

### Section III Saving—True and False

This plentiful saving was the result of a mentality different from ours: the absence of expensive wants and concern for the future. The formation of savings was above all favoured by the industrial expansion of the nineteenth century (railways, electricity, oil) and the extraordinary stability of currencies and the permanence of structures. If the small wage-earners, workmen, clerks and intermediate managers were not in a position to join in building up these savings without prodigious economizing, agriculturists, on the other hand, who were not in the habit of spending, and above all the leaders of industry and commerce, high-ranking civil servants, the middle classes living without luxury, succeeded in accumulating large fortunes.

After the Second World War it became customary to deplore "the lack of saving" and "the failure of the saver", perhaps because only what was invested in liquid values was still considered to be "genuine saving". It is true, however, that the profound transformation of modes of living and the climate of inflation were bound to alter radically our conception of saving.

For several years in France, it has become commonplace to remark upon the volume of savings made by individuals. This is in fact a new phenomenon. If the gross national product in 1972 was 360 (on a basis of 100 in 1959), consumption did not exceed the 350 index figure while domestic saving (not including one-man businesses) stood at 477. As for the rate of saving of the former, in 1971 it had never been so high at 12.90 since the end of the War and remained at 12.37 in 1972. Thus such a revival of saving would be a remarkable feature of what everyone described as a "consumers' society". It remains to enquire whether this saving in the last 15 years had been sufficient. It would seem not. Moreover, this revival of saving has been accompanied by a malformation of the investment structure so that we find ourselves despite the apparent results of too crude an analysis, confronted by false saving in an economy of abundance and declining savings to finance growth.

In France total savings represented in 1959 one quarter of gross internal production.

In 1970 they reached one third. In 1972 they fell back to 31.6 per cent. But it is not domestic saving which has most progressed. In fact it reached 10.1 per cent of gross internal production in 1959 and it is 12.7 per cent today, after reaching 13 per cent in 1970. On the other hand, saving by private companies which was 6.3 per cent of gross internal production in 1959, reached 9 per cent in 1969 to fall back to 8.5 per cent in 1972. Similarly, to define the place of domestic saving, it may be estimated to represent 41 per cent of total savings. But in 1962 the level was 47.8 per cent. During the 50's decade its share was always above this level and even reached 55 per cent in 1956.

Rates of annual growth of savings are very variable. Over 13 years the growth of savings has been seven times faster than the growth of the gross national product, and that of domestic savings five times. Instability in the behaviour of savings also explains the embarrassment of economists and the justified anxieties of collectors of deposits which cause them to exercise caution. This capricious behaviour of the saver is, of course, only the result of the capricious behaviour of the consumer.

It is very difficult to establish a definite relation between income and savings. At the most it is possible to discover a correlation between fiscal pressure and saving: in fact, every time the weight of taxation on income increases, there is, except in 1965, a reduction in the rate of domestic saving (not including individual entrepreneurs) and inversely, every time the pressure diminishes, the rate of saving increases.

Structural analysis of the disposable income of households, however, has its advantages. It shows that savings are made more and more from the earnings of labour. Wages and social service payments amounted in 1972 to 58.2 per cent of the gross national product compared with 49.9 per cent in 1959. The former rose from 36.8 to 40.5 per cent and the latter, which have always increased regularly, from 13.1 to 17.7 per cent. Income from production (households and individual entrepreneurs) has declined, as a percentage of the gross national product, from 28.3 to 23.1 per cent. It would be premature to draw any

## Section III Saving—True and False

conclusion from these facts but they nevertheless suggest that savings thus made are more savings of consumers than savings of investors, savings of lenders of money capital rather than savings of owners of instruments of production.

This tendency is not surprising when we observe the remarkable development of saving among wage-earners, who no longer hesitate to turn to the banks, and in giving up the use of liquid cash avoid the path of investment. The temptations of consumption and the new wants which society increasingly creates explain this behaviour, which in the end turns saving into false thrift.

In the 1960 decade the structural distortions of consumption which began in 1955 were further accentuated. The receivers of incomes who since 1959 have multiplied their consumption  $3\frac{1}{2}$  times while prices increased by 60 per cent, have rather more than doubled their expenditure on food and clothing, while increasing fourfold their expenditure on housing and household equipment, at the same time, for almost half the number of households, submitting to a rise in rents. As for expenditure on transport (notably private motor-cars), this increased 4.25 times. This is why food represents only 27.5 per cent of total household consumption whereas in 1959

it still represented 37.3 per cent. But expenditure on housing now amounts to 21.5 per cent against 17.5 per cent in 1959 and expenditure on transport to 10.7 per cent against 8.4 per cent.

This profound change in consumption structures explains the need to retain for a long time cash holdings or liquid savings. It demonstrates to what a degree reserves of purchasing power (the modern form of individual hoarding) built up for items of expenditure larger and less frequent than current spending on food and clothing, can no longer be regarded as genuine saving intended for investment. Under these conditions the duration of credit or "period of transformation" must be less than the "period of consumption" i.e. the lifetime of the durable consumption goods.

Finally, we must have an additional reason to moderate our enthusiasm about the growth of savings: an ever diminishing part remains free for employment in the finance of new production potential; the other part, called contractual, is already engaged. Analysis of the act of saving enables us to define exactly its nature and to distinguish obligatory (forced and contractual) saving from free and spontaneous saving.

## (1) Co-operatives as Inducers of Saving (2) The Struggle Against Inflation

by PIERRE LACOUR

*Président, Crédit Coopératif, France*

### (1) CO-OPERATIVES AS INDUCERS OF SAVING

Savings by private persons play a growing role in the economy; the greater part of these savings come from wage and salary earners, one quarter thereof is directed towards housing and, as to the remainder, it is a "false" saving which easily flows into the banks as it tends towards the preservation of considerable liquidity. Half household savings go into the capital market, less and less into the financial market, and more and more into the monetary market. Organizations which are collectors of

savings play a role now tending to become preponderant.

What is the result of all this for us as managers of thrift and credit co-operatives? It is, that we must adapt ourselves to these new conditions and, in particular, we must face up to competition by the banks which, earlier, was not so strong. We must therefore provide savers with incentives so that they become, and remain, our members.

And, first and foremost, we must do as well as the competing banks, and be as efficient as they are; we need not be ashamed to study



### Section III Co-operatives as Inducers of Saving

what they have worked out so as to attract and keep their clients, thanks to the vast technical means they have available. Taking their inspiration from business practices, they make great efforts not to remain passive and to go ahead of their eventual depositors and borrowers. They practise "banking marketing" which covers the totality of activities directed towards the facilitating and setting up of commercial exchanges.

Anxious to understand the needs of their members, most of the large Mutual Credit Organizations already practised banking marketing, but did not give such a high-sounding name to their daily activities. Without using systematic formulae, they knew how to judge their efforts by referring to the six master words which all begin with P.

*Products*—this is perhaps one of the fields in which banking invention has developed most in recent years. Thrift co-operatives must not be behindhand here whenever the legislation in their country permits them to go forward. To the former savings-bank and cheque-book accounts there can be added, for example: progressive interest bonds, saving-for-housing accounts combining deposits and deferred credits, stock exchange securities (SICAV) or indexed shares (SICOMI) with repurchase value or as income, so as to mitigate the effects of inflation. For each security, the co-operative will do its utmost to find a repurchase system at a fair rate, which will ensure a liquidity and convenience of investment which other banks cannot always guarantee.

As one of the most important incentives to the present-day saver is the ease with which an eventual withdrawal can be made, it is necessary that the co-operative provide, when so requested, widely honoured credit cards utilizing automatic distributors; it will be led to pass agreements with the large banks so as to permit withdrawals in cash at a large number of pay-windows.

Admittedly, there are some co-operatives which hesitate to go so far along the road to diversified services. But this is a reticence which takes no account of modern circumstances, and which is just as unrealistic as the old-time refusal to use a cheque-book

account.

*Prices*—costs of credit operations, the cost price and charges on deposits and for accessory services are now sufficiently exactly analyzed to become an element of incentive to co-operative managerial staff in their daily activities.

*Promotion*—discarding their previous semi-clandestine attitude, co-operatives no longer hesitate to have recourse to advertising in all its forms, as well as to public relations techniques, with a view to making themselves better known and to inducing the decision to have recourse to their services.

*Sale Points*—here it is a matter of the co-operative taking more care as to the outside and inside appearance of the places where it receives its member-clients. In this respect there has been some delay, but now we can hail some very fine results. The comfort, convenience and even the beauty of our premises is an incentive which is not always admitted but which none the less has its influence on behaviour.

*Personnel*—the competence and affability of the reception staff, the quality of the advice they give and their personal acquaintance with the person seeking advice form, in practice, one of the most important incentives to the depositor. One of the weaknesses of the large banks is precisely the interchangeability of their counter clerks, as this contributes to the general impression of an impersonal administration. As opposed to this, the frequently friendly contact between the staff and members of the co-operative is one of the latter's main trump cards.

*Programming*—the study of market possibilities, calculation of the profitability of efforts to be made, planning of the co-operative's development and control of the results, are just so many elements of an overall programming as help to provide a strong incentive to the co-operative's agents.

There is thus nothing in banking methods which cannot be used and improved by thrift co-operatives. On the other hand, we can utilize incentives which are our own.

The principal specific incentives are the following:

- (1) In the co-operative, the member-saver

### Section III Co-operatives as Inducers of Saving

is at home, in cordial company; he is informed about what is going on; he controls, gives his opinion, and can criticize or approve; the saver, staff, managers and administrators all form a group of men who know each other, very often outside their banking relations; gradually, the solidarity which forms the basis of a co-operative grows up between them.

- (2) Co-operatives make the training of members, employees and leaders one of their constant cares; the promotion of clients who have become administrators, the education of one and all are motives for action on which the reports to this Conference concerning education have more to say.
- (3) The purposes of the co-operative are, for savers and staff alike, an important incentive; internal social purposes certainly, but also external purposes, for example: the support which can be given to local undertakings, or loans to regional institutions of collective interest. The role of this action factor is tending to grow as the young, above all, want to know "what the bank is doing with their money". The approval of loans made to other kinds of co-operatives and the assistance afforded to paying but non-speculative institutions such as clinics and holiday camps make one and all feel proud for having contributed to some undertaking which is socially useful.
- (4) Close bonds with social organizations for the construction of housing facilitate the generation of another sort of incentive. A quarter of savings go into housing, and a large part of the credit co-operative's activities are devoted to loans for housing. They thus acquire a very specialized, and above all disinterested competence whereas, elsewhere, the candidate has the feeling that he is being pushed to buy something built by a promoter.
- (5) Finally, in a prosperous co-operative, economic success does not suffice: the group which is made up of members,

staff, managers and elected leaders is a community which can and must be activated. Working meetings, informational meetings, visits by central leaders, and leisure or annual festival meetings are all means of creating and developing that human enthusiasm which the co-operatives are able to contribute to the improvement of the quality of life today.

Perhaps a co-operative is the really modern way of practising thrift; the industrial or post-industrial world is only fit to live in if technical humanity is compensated by solidarity. Solidarity and mutuality, this is certainly our future, and also our strength.

\* \* \*

The development of technique has led credit co-operatives to group themselves together in co-operatives of co-operatives, regional or national. What incentives stimulate these bodies?

The role of the joint organizations is the creation, together with the primary co-operatives, of an ensemble which is financially sound but whose efficiency is not achieved at the expense of co-operative democracy. This is the general motivation which must be present in the execution of the various tasks incumbent on the central or regional institution. Its first task consists in preserving the image which characterizes the institution, stimulating the group, applying information, promotion and participation methods.

Its second task is the organization and control of financial relations with the co-operatives at the base, the suggestion of new saving instruments, and the starting up of investment circuits.

The third is liaison with other types of association and co-operative institutions, more especially with insurance and retirement fund establishments, where the ever-increasing mass of contractual savings are concentrated.

The fourth is to maintain contacts with the national and international financial and monetary markets, and with other international institutions, especially similar institutions in other countries.

In all these tasks the primary incentive

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is quite obviously the building up of a profitable, financially sound undertaking. But profit-seeking is not the only incentive. The leaders in this work are also co-operators entrusted with the defence of the underprivileged who have recourse to them.

### (2) THE STRUGGLE AGAINST INFLATION

Since the themes for this Conference were selected, there has arisen a world problem which has taken on disastrous proportions: the problem of inflation. Thus the struggle against inflation becomes the most urgent incentive driving thrift and credit co-operatives.

We could, like our colleagues the private bankers, doubtless rejoice at the monetary troubles which permit profitable international speculation in currencies. But, while adepts at the game can easily arrange things so as to increase their assets, thanks to inflationary troubles, people with modest incomes and the small savers who are our members are penalized by inflation. We may well increase our depositors' rates of interest, but when the annual monetary erosion reaches a rate exceeding that paid to them, we are contributing to the plundering of our members.

It is therefore imperative that we fight inflation.

We do not claim that we alone can stop the crisis in its course. But the absence of any new international monetary discipline must not be an alibi for us. We must do our utmost to make use of the procedures available to us, even though we may not have many illusions as to their basic effectiveness.

We try to promote subscriptions to indexed securities in capital and in dividends on the value of income from industrial real estate property. We also encourage the saving-for-housing movement, as this constitutes a sort of deferred credit for the purchase of a home. We are studying a check-for-holidays system, which is also a sort of deferred credit to provide a lump sum for holidays. In all these operations, the basic idea is to link savings, which have the disadvantage of being payable in money, to an advantage in kind which is automatically revalorizable by its very nature.

Admittedly, all these procedures are only palliatives; but they at least have the merit of momentarily sheltering our associated co-operators. But they will not suffice if the inflation, measured by the annual rise in prices, which was at 3 to 5 per cent in recent years and is 8 to 10 per cent this year, continues its upward thrust. It is clear that inflation which, in earlier times was due to an economic situation, has now become structural; it is bound up with the very structure of industrial civilization as it is not limited to free enterprise countries but spreads out to collectivist nations when they develop their industrialization. In our western countries it is complicated by internal causes, such as the bad organization of savings and credits, and the free enterprise nature of our economy; and it is above all aggravated by the absence of a world monetary code and by waves of speculation which draw profit from certain upsets in the balances of payments, thus subjecting national policies to the uncontrolled forces of private capital movements.

More general, certainly international, but also national measures become imperative, initially insofar as we can help to provoke them or claim them from our respective governments. In this respect we must mention the European symposium organized by our friends of the *Crédit Mutuel Alsacien* in the *Bischenberg Information Center*, on the theme "The saver confronted with inflation". Speakers of high standing reported on the theoretical and practical problems raised; national cases were examined, the example of Brazil was particularly considered, the case of Euro-dollars prudently touched upon and, as was to be expected, the role of the international bankers was stigmatized by certain financial columnists. But out of all this there arose one definite fact: whereas the inflationist phenomenon is widely studied, it is not understood in an overall manner: as Mr Delors very aptly put it: "We don't have the intellectual mastery of inflation."

Faced with this admission of an obvious shortcoming, do we have to remain passive and wait for Governments to decide to call another Bretton Woods Conference?

In a difficult international case, that of

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the sharing of the oceans, the United Nations with the help of FAO called a series of preliminary conferences of technicians which enabled the subsequent politicians' meeting to be prepared so that solutions could be found and recommended to Governments.

This example could be an inspiration to us.

Could not one of the conclusions of the present Conference be a motion, wish, or resolution for the calling of a preliminary conference, grouping savings and currency experts and administrative theoreticians, with a view to studying the technical bases of solutions which would then be submitted to the politicians?

## Educational and Training Programmes for Members and Staff of Thrift and Credit Co-operatives

by Dr S. K. SAXENA

*Director, International Co-operative Alliance*

### A. THE OBJECTIVE

This paper outlines, in a general and brief manner, certain aspects of co-operative education and training in thrift and credit societies in developing countries, in most of which educators in the field of co-operative thrift and credit face a formidable task. Their task is to show the people how to use money in such a way as to increase output and create surpluses which they can trade or reinvest so as to bring themselves into a modern market economy.

The developing world is very large, predominantly agricultural and diverse. In many cases, the exercise must start from "scratch". Because they are inexperienced and uneducated (often illiterate), the members of co-operative societies must be introduced to the very concepts of "money", of "savings" and of "credit" in their modern sense. They must learn through demonstration that it is possible to multiply output by setting aside a portion of this year's crop proceeds to be reinvested in production of a bigger crop next year. They must be convinced that if they pool their individual purchasing, producing and marketing capacities, they can cut through their bonds of indebtedness to money-lenders, land-owners and merchants. They must be sufficiently motivated, through repeated evidence of results, to overcome barriers of apathy, suspicion and conservatism created over centuries by disease, malnutrition, ignorance and repression. Through patient coun-

selling and personal guidance by their own leaders they must be coaxed out of their resistance to officials and new ideas. Finally they must be made aware through continuous education, as well as through built-in safeguards, that "credits" are not gifts but debts that have to be repaid.

Increasingly in the developing world this objective is being pursued through what is variously known as "integrated", "supervised" or "directed" co-operative credit. The essentials of this approach are generally well-known. It means a close linking of credit operations with all phases of productive and commercial activities—production, supply, processing, storage, marketing and provision for the personal needs of members. It means planning and co-ordination—whether through multi-purpose co-operatives or collaboration through appropriate structures leading, perhaps, to the creation of a strong central organization. It means active promotion of systematic savings by co-operators. *Above all it means continuous personal guidance, education and training of, and communication with, individual co-operative members.*

### B. MEMBER EDUCATION

Some of the methods of member education which are relevant to our present discussion apply generally to efforts to communicate with local populations. These include one-day "courses", usually prepared by mobile educa-

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tional teams and held in the open in the centre of villages. These are designed to increase general receptivity to fundamental co-operative concepts. A closely related approach is the Annual General Meeting of local societies: this can have considerable educational value provided it is carefully structured around topics of vital concern to members and presented in a lively fashion that is easily understood by the average villager.

There are other methods whose content can be related more specifically to thrift and credit. Group discussions or "study circles" can be centred on written materials prepared by the education secretary of the society or a co-operative union, and can be combined with radio broadcasts and/or correspondence courses. Posters, films, slides, charts, leaflets and newsletters are useful in this connection. A more structured variation of this approach is the literacy class which focuses on primers and reading books dealing with thrift and credit. (A current ICA/CLUSA project is examining the supply, distribution and effective use of educational aids.)

A more personalized educational approach is that involved in "directed" or "supervised" credit. This requires direct and frequent contacts between individual members and co-operative officials. The members may be farmers, or handicraft workers or processors, and the officials may be lending officers, extension workers or home economists from the thrift and credit society, a multi-purpose society or the branch office of a co-operative bank. The purpose is to help the individual family unit plan its output, borrowing and consumption in such a way as to maximize its income and to make the best use of that income.

The co-operative official helps the head of the household with his input and production programme for the year, and in many cases discusses with both husband and wife the family budget and ways of increasing efficiency in running the household. This kind of expert counselling and practical demonstration continues, often on a group basis (as for example in the "Comilla" approach), throughout all subsequent phases of production including purchasing, processing and marketing. More-

over in the course of his transactions with his thrift and credit society, the member picks up a practical training in simple processes like deposits, withdrawals, interest accumulation and elementary bookkeeping. Not only are these intimate personal contacts educational but they are clearly functional in terms of increasing the productivity and repayment capacity of members.

### C. STAFF TRAINING

Obviously a large number of trainers (lending officers, extension workers, home economists, and experts in production, purchasing and marketing) are required for the programmes of direct member education described above. But these trainers have to be trained, as do the officials who carry on the office work of thrift and credit societies and co-operative banks—cashiers, clerks, bookkeepers, credit specialists, auditors, bank supervisors and inspectors, etc.

To some extent this need is met by the introduction into the *curricula of schools, colleges and universities* of courses on farm management, credit and banking, law and co-operative theory and practice. Such courses, however, even where they do exist, are normally too generalized to be of much practical help in the actual operation of thrift and credit societies.

Much more useful are the *on-the-job counselling and the short training courses* offered by officials from secondary co-operative organizations during field visits to local thrift and credit societies. Similar help may be given by mobile teams sent out from regional educational centres, as in East Africa. A more impersonal way of making this help available on the local level is through specialized correspondence courses administered from an educational centre; this method has the advantage of economy combined with coverage of a very wide audience.

Increasingly in the developing countries the staff of thrift and credit societies are being given the opportunity of attending residential courses in specialized training centres. These courses are offered by district, national or regional societies or co-operative institutes, by co-operative colleges, by co-operative banks

## Section III Educational and Training Programmes

primarily for their own staff, by governments, by ACOSCA in Africa, and by the ICA Regional Offices in New Delhi and Moshi.

Courses vary in duration from one week to a full college year and they are tailored to meet the needs of various levels of staff. They make use of the full range of teaching methods including lectures, case studies, role playing and audio-visual aids; and in many cases they are supplemented by seminars, workshops and study tours.

### D. SOME MAJOR PROBLEMS

Thus there appears to be a fair measure of agreement as to the major directions for a constructive educational and training programme for the developing countries in the field of co-operative thrift and credit. And yet there is no doubt that to date this programme is far from satisfactory. Indeed the inadequacy of educational and training facilities is perhaps the primary constraint which is holding back an effective savings and investment drive—and hence the development process itself—in the Third World. Some of the problems are as follows:

#### 1. Co-ordination

One aspect of the problem of co-ordination is the failure to provide for effective *manpower planning*. Without such planning it is difficult to gauge the number of training places required; to devise curricula and methods that will ensure a matching of supply and demand in each particular category of skill; and to build into the co-operative credit movement a career structure which will attract and retain the required skills. Haphazard employment policies in turn lead to heavy staff turnover, to a reluctance to release employees for training, and to nepotism or favouritism in personnel policies.

Thus a logical first step in setting up training programmes is to identify the specific kinds of skill, and hence of training, that will be needed in the future. Foresight and careful structuring can provide a rational basis for designing recruitment procedures. Such procedures should include a system for enabling co-operative employees to proceed step by step up a promotional ladder in accordance with their performance—performance not

only on the job but also in a series of official courses proceeding from the introductory level to the intermediate, refresher and advanced levels.

The other serious aspect of lack of co-ordination relates to the all too frequent occurrence of wasteful competition and duplication of efforts by various organizations concerned with providing training facilities for managers, staff and committee members of thrift and credit co-operatives.

In East Africa the co-operative movements of Kenya, Tanzania, Uganda and Zambia, in collaboration with their governments, have developed over recent years a network of Production Credit and Rural Savings Schemes which operate largely through multi-purpose agricultural co-operative societies at the village level. The training facilities (extension services, residential courses, seminars, etc) for these programmes have been provided jointly by the governments, the co-operative colleges of the Region and the ICA Regional Office in Moshi. During the same period, CUNA International and subsequently the World Council of Credit Unions have also been active in this area, particularly in mounting a series of conferences on the mobilization of local savings. In 1968 these efforts resulted in the setting up of ACOSCA and the beginning of an active campaign to promote credit unions and associated training centres. It is hoped that the need for greater collaboration, which is generally recognized, will lead to constructive results. There need be no difficulty in achieving collaboration between non-profit organizations seeking similar objectives once the dangers of duplication of efforts are recognized and formal machinery for joint consultation is established. Further confirmation of this proposition is provided by two other recent developments within the ICA structure. One is that the ICA Banking Committee is actively considering an exchange programme for officials of co-operative banks which would enable young people to become familiar with international banking business and would facilitate a systematic exchange of information on organization, data processing, personnel policies, etc. Another is the recent setting-up of

**AGITCOOP**, the Advisory Group on International Training of Co-operators. The objectives of this Group are as follows:

The Group shall seek, under the auspices of the ICA and under the guidance of its Authorities, to:

- (a) advise the Authorities of the ICA on matters concerning education and training for co-operators in and from developing countries;
- (b) help member organizations to increase the effectiveness of their training programmes, especially by enabling them to avoid unnecessary duplication of efforts and expenditure in activities such as:
  - (i) working out study materials, textbooks and other teaching aids,
  - (ii) identifying the most important areas for co-operative training,
  - (iii) recruiting students for training,
  - (iv) the recruitment and training of teaching staff,
  - (v) directing student applicants to suitable courses,
  - (vi) follow-up work after training courses;
- (c) encourage mutual consultation among member organizations and their training institutions, with a view to achieving international collaboration in their respective training plans, programmes and activities;
- (d) assist member organizations in facilitating their international co-operation in the educational field in any other respects (e.g. in organizing study visits abroad, exchanges of experience and documentation, etc).

## **2. Inadequate Resources**

A major difficulty for which there is no such easy solution is the acute shortage of resources required to underwrite an adequate training programme for thrift and credit co-operatives in the developing countries.

All aspects of the training programme are affected. It is partly a *manpower* problem in that there are far too few trainers—teachers, extension workers, field officers, on-the-job supervisors, etc—available at all

levels. But even teachers and field staff can be found at a price, and clearly the problem is one of *money*—money to pay salaries, to build classrooms, to provide training materials, to commission basic research on which courses and training materials must be based, and to finance seminars, conferences and meetings of co-ordinating bodies.

This is the major problem and it is a problem with which most thrift and credit co-operatives in the developing countries cannot cope and for which international help is required, financial help from governments and co-operators in developed countries and from international bodies. There is considerable scope for international assistance in helping the developing countries to solve the problems connected with education and training

## **3. Lack of emphasis on thrift**

Unfortunately, in some developing countries, the aspect of thrift is not emphasized to the extent that it should be. Several countries on achieving independence have looked upon the co-operative society as an instrument of development within the planning programmes of the country. Taking into account the great imbalance in the distribution of wealth between rural and urban sectors, there have been vigorous efforts, through the agency of co-operative societies, to extend credit to farm members at the primary level. In the process, it seems that “thrift and credit” societies have become largely “credit” societies, thereby denying to the members the great educational value of thrift, and to the movement the formation of capital which is vital to the process of development.

## **4. Need for practical orientation**

Too often the courses offered by training institutions are theoretical and far removed from the practical problems in the field. This is partly a reflection of the general educational systems within many developing countries. There is, in other words, a great need of appropriate techniques for bringing the field into the classroom. This change will require, in many cases, re-orientation of teachers, research into appropriate educational aids and production of literature which will match the altered pedagogic approaches.

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### 5. Technical advisory services

Within the complex problems involved in social and economic development, co-operative bankers, at least in some developing countries, have given thought to the developmental role of co-operative banking institutions. If the co-operative sector is to be enlarged, which in turn would benefit co-

operative credit institutions, it is important that the latter should devote resources to the investigation of, and provision of advice on, the creation of agro-industries. Some credit institutions have given attention to this matter and in some cases special cells have been created for this aspect of the work. However, much more needs to be done.

## Women's Participation in Thrift and Credit Co-operative Societies

by Mrs MARY THOLLEY

*Treasurer for Mabothrane Women's Thrift & Credit Society, Sierra Leone*

### 1. Thrift in the Family

Women have had to be thrifty always—perhaps more so than men because of the immediate pressure on them as the day-to-day keepers of the family money for food and clothing. There are certain calls on the household which are regular and, to some extent static, such as rent, rates, mortgages, insurances and taxes, but other demands, both expected and unexpected, have to be met by adjustments to the general domestic economy. In other words, new or replaced furniture, holidays, tools or materials for the house or garden, weddings, births, funerals, emergency journeys, schooling, are all part of life, but the ability to finance them often depends on how much the weekly or monthly housekeeping can be trimmed. Therefore, women are automatically drawn to thrift and credit societies in countries already industrialized, but even more so in the developing countries, where although the changing economy is opening up new opportunities for consumers, many of the social services are often lacking.

### 2. Improved Status of Women

With their increasing entry into paid employment, part-time, full-time, on their own account or for employers, women are handling money on a larger scale. The general cycle of life, which means for women the bearing and rearing of children, inevitably keeps most of them near to home, so they require local facilities for saving and credit. Therefore it is often at the instigation of women that credit

societies have flourished in housing estates, blocks of flats, housing co-operatives, villages, institutions, large factories and schools. The very presence of women is sufficient to motivate the organizations. The gradual improvement in the status of women and the tendency towards partnership in marriage, arising from the newer economic conditions between man and wife, are engendering more trust between groups of families and giving women wider opportunities to co-operate.

### 3. Honesty and Perseverance

Trust is a vital ingredient in credit organization and must arise from the honesty and perseverance of the members. These are qualities which so often make women fitter for administration. This assertion is not intended to be offensive to men—it is a phenomenon which probably can be explained by sociologists or psychiatrists, but for the purposes of this paper, seems to stem from the practices women assimilate as they administer and apply priorities of the household purse. Generally speaking, all their actions are constantly under the surveillance of the family and to some extent the neighbours.

### 4. Why "Women Only" Societies?

In several areas women's societies are very successful but it is not advocated that this should necessarily remain so. It should be an object lesson, however, to all who wish to further the thrift and credit movement that women will be persuaded to participate only



## **Section III Women's Participation in Thrift and Credit Co-operative Societies**

on equal terms and guarantees of honesty or they will form their societies alone.

### **5. Administration and Office Holding**

The administration of thrift and credit societies provides opportunities for part-time service and this is particularly suitable for women. On a recent visit to several African countries, a member of ICA's staff found numerous instances of women filling the office of president, secretary or treasurer. In Kenya, the Chairman of the National Savings and Credit Association is a woman. Again, such office holders can be found in other countries. In the story of the Credit Union Movement in Saskatchewan, Canada, "By their Bootstraps", several instances are given of women who have pioneered or maintained societies by their important work over many years.

### **6. Women's Use of Surplus Funds**

For women, thrift and credit often does not stop at the collection and distribution of money; they frequently use the surplus funds in marketing and production. One can find in the markets of Lagos women of undoubted business acumen who, reluctant to abandon traditional customs, have nevertheless discovered that the defects of the age-old "Ajo" system can be dropped without losing the benefits of daily loans negotiated at the market stall, by adopting thrift and credit practices. By this they have converted the "Ajo" man's price into a lesser service charge to themselves and retained what was his profit as their gain. Furthermore one hears of capital accumulation which advances their possibilities for bulk buying and warehousing.

An interesting experiment is taking place in Lesotho. Women's handicraft groups are combining savings invested at a central point where their products are marketed and they raise loans not on an individual basis, but for the financing of local group activities and projects. The scheme is the subject of some debate in the district, but has aspects which are worthy of consideration.

### **7. Education**

Thrift and credit societies are very popular in the developing countries among school teachers and this is often responsible for by-products. The scholars learn by example and

almost subconsciously are set on the road to self-help in saving.

The illiterate need not be excluded either. A very moving story can be told of the teacher who freely admitted she knew nothing about thrift and credit societies. A group of illiterate women, however, had been told about them but knew they were unable to manage accounts. They appealed to the teacher; she undertook to learn and finally kept the books for them.

### **8. Training**

For women, of course, the basic training, i.e. principles, practices and ultimate aims, will be the same as for men. Where convenient for the women, the same courses and facilities at training institutions should be provided.

The timing of training, however, is important and in many areas it will have to be arranged according to the availability of the women. For example, teachers may find it best to meet after school on the premises; women in a village might meet in the afternoon while the children are at school, workers may wish to combine eating and learning during the appropriate breaks.

Women will want to be taught how to ally the advantages of thrift and credit with their own talents and capabilities. It is likely that a group of dressmakers wishing to set up their own industrial co-operative could raise their own capital first by establishing a thrift and credit society.

The inevitable question arises: who is going to do the training? Special efforts should be made to recruit women as teachers. This form of co-operation is one of the easiest to teach so that, with a few simple teaching aids, an intelligent woman in a village would find little difficulty in passing on her knowledge to her neighbours, as has been proved in many instances reported to ICA.

### **9. Social and Humanitarian Aspects**

Last, but not least, due regard must be given to the social and humanitarian atmosphere which women promote in a society, a spirit which can be missing when men alone operate on a purely business level. The immediate concern of the women for each other's welfare manifests itself at crucial times in the life of

## Section III Women's Participation in Thrift and Credit Co-operative Societies.

the families in the societies. There is value in this association which leaders of communities and nations would do well to foster. The thrift

and credit movement has a special contribution to make which transcends the purely financial aspects of its organization.

### Strategy for Savings Promotion

by GLENN FOX

*Co-operative League of the USA*

With dignity and perseverance, a co-operative should keep presenting to the membership and the public the opportunity for saving funds with co-operatives. Some of these efforts broadly speaking may be referred to as education. Members need a good place to save where the money will be used in their own best interests, and certainly not against them as for instance in a monopoly situation. The needs for members to save are many—education, old age, emergencies, health, prospective purchases, legacies, trusts, disasters and so on.

Important to both the saver and the co-operative are proper answers to rates, maturity or marketability, discounts, interest or dividend dates and how frequent, rules on joint issue, specific collateral if any behind the issue, denomination, certificate date, voting rights if any under any situations, indentures, assessability, transferability, negotiability, taxability, call privileges, registration and others. A good securities programme involves a thorough understanding of the specifications by the investor to be sure that people's interests are placed first and there are no disappointments by either the issuer or investor.

Some savings programmes require a high degree of liquidity while others do not want the return of the principal or even marketability except long-term. Just as a co-operative may sell several grades of oil, fertilizer, or food, there should also be available several different kinds of securities or investments. Savers in a co-operative should expect and receive full disclosure—past problems, future plans, and programmes under way. The security specifications should be carefully researched so that they do not have to be changed too often—even interest rates.

#### **Index Bonds**

The purpose of index bonds is to protect the

saver's investment against inflation by relating the yield of the bond to some commonly accepted measure of inflation such as a cost-of-living index. Thus, these index-linked investments can offset cost of living increases by improving the yield as the index increases, as well as by provision of a capital gain at maturity—for example, a 4 per cent yield at issue date might increase to 8 per cent and a principal issued at par might be redeemed at 150 ten years hence. At the time of issuance of an index bond, a table is prepared which shows the investor the various redemption values (and sometimes yields) corresponding to various index values thirty days before the interest payment dates.

While it would be technically possible to issue bonds that enable yields to fall below the yield at issuance, depending on the movement of the index, this is not done in practice because of the possibility of adverse investor response. Likewise, the bonds could be linked to a price index or even a composite of several indices. Credit unions can make index-linked loans. All co-operators should surely have some savings, and their co-operatives should make investments readily available and as serviceable as possible. Even poor people will save more when their incomes are rising.

#### **Investor Confidence**

An investment or savings programme inevitably emphasizes the need for other services—insurance for protection of savings, legal advice, help in estate planning, appraisals, titles, writing of wills, tax advice and possibly some form of third party deposit or investment insurance or guarantee. Such guarantees may be created by an insurance co-operative or a government created corporation. These services as well as others help people just as one co-operative helps another. Co-operative

### Section III Strategy for Savings Promotion

insurance companies and credit unions very frequently sell other co-operative securities, sometimes for a commission or a fee.

Coupled with all the savings mobilization programmes in the long run are various technical services for borrowers to give confidence to both the investor and debtor. It is important to have economics of scale, best use of resources, debt consolidation, balanced programme of employment of capital and labour and even proprietorship or household health. This may involve medication, clean water refrigeration or cooling, vegetable gardens, proper amounts of mechanization, irrigation, drainage, tile, soil fertility, insect control, etc. etc. All these lead to the co-operative's main product from a good investment programme and that is member understanding. One who is considering an investment or saving will listen more carefully, be more studious, read the prospectus or plan more thoroughly and attend the meetings and participate more regularly.

Issuing investments to minors jointly with one or more adults or alone is probably a good thing. The attendant legal problems can be handled if the will is there to do so. The problems are more tedious than real and are more than offset by the participation, pride, experience, education, habit establishment and assistance in creating, say an educational fund on the part of the budding co-operator.

#### Revolving Funds

As basic as proteins are to the health of a person, the revolving fund is one of the best methods of financing a co-operative. The Canadians call it the "revolving door" plan. Americans have often used the analogy of the water wheel.

The wider the fluctuations in volume of net savings (surplus) of the co-operative, the poorer the revolving fund works. The same would be true of a power dam or water wheel. Total reliance on it takes either an unusual amount of member understanding or uniformity of prices and volume. This form of ownership has two sources (1) retains from the proceeds of marketing and (2) reinvested patronage refunds. The retain revolving fund

involves a "check off" from the check for the farmer's milk, grain, fruit or nuts, etc. delivered to be packed or processed, to use just a few examples. The retain principle on occasion is applied to supplies but is not too generally used. This involves a small "over-charge", say  $\frac{1}{2}$  cent a gallon on fuel or a dollar a ton on feed or fertilizer.

Since volume is often less erratic than net savings (surplus) the retain revolving fund has worked most smoothly; however, the "savings" form also has wide use. The form of the certificate or book credit representing revolving fund ownership has little importance excepting that it should not bear due dates or interest or dividend yield. Since a revolving fund is intended to be a turnover account, many feel it should be equated with working capital leaving more permanent forms such as capital stock to offset most of the fixed assets.

Member determination and member understanding are prime requisites for a well run revolving fund programme. To lighten the "investment in proportion to patronage" load on the young person or new member in a period of accelerating patronage, supplemental methods of raising capital should be employed. The sale of securities up to an amount equal to 25 per cent of the total assets is one of the best methods. Funds from these sales provide for facility expansion, seed money for new services, cash for estate settlements, redemption of equities by retirees and for any other purpose without having to increase the capital retain or percentage of non-cash refunds.

#### Dividends

Just as an investment programme by a commodity co-operative performs a valuable service, so does the work of the credit and thrift co-operative. Close co-ordination of the two makes possible a more expeditious expansion of both. Sales of co-operative commodities or share deposits increase at dividend payment time and funds from the proceeds of marketing of products often are shifted to deposit or investment at settlement time.

#### Sales Programme

Member confidence is probably the most

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important ingredient for co-operative success. The educational materials or advertising to prospective investor-savers should provide full disclosure, be factual, and anticipate a prospect's questions with an altogether dignified approach. It should build pride and loyalty, develop understanding and, of course, participation. A securities programme is one of the best aids.

The formal plan, written programme or prospectus, should be carefully prepared. Whether or not a registration is made with a governmental unit, every effort should be made to use co-operative terminology, non-technical, and to disclose all factual material possible. Disclosure of even items formerly considered confidential becomes a builder of confidence on the part of the prospect and the entire membership. Very seldom is the use of such material in the hands of a competitor found to be hurtful.

Just as the financial co-operative is open to receive additional funds at any time, it is best for the purchasing, consumer, or marketing co-operative to have a continuous programme for attracting new investments. Co-operative leaders are seldom short on new ideas. The old slogan "any good idea can be financed" should be taken seriously by financial specialists in our co-operatives.

### Liquidity

Since co-operative securities do not lend themselves very well to being bought and sold on the stock exchanges of the world, co-operatives should build into their programmes

a practical plan of liquidity or marketability. The plan must contain safeguards and limitations which seem prudent.

Some credit unions and co-operatives attempt to keep liquid sufficiently to redeem in advance of maturity at par (only foregoing interim dividends) on request of the holder. Others feel it more prudent to establish ground rules as to a run on the liquidation of securities ahead of time.

One system which has stood the test of 26 years of successful operation is to place into an internal reserve each month  $\frac{1}{2}$  of 1 per cent of the outstanding total security issue cancelling out any unused reserve at the close of each fiscal year. No questions are asked as to reasons for premature withdrawal. They vary greatly from buying the adjoining farm, to health, adversities, death, for purchases, for operating capital, to pay on a loan, or any other of numerous needs. Lack of confidence, or even an increase in interest rates generally, are seldom given as reasons for withdrawal. Assume the limited reserve is overdrawn (which it seldom if ever is) then the requests are placed on the waiting list in the order received. The investor is informed of the approximate month the reserve will be replenished to permit redemption. Then the investor may be able to borrow a substantial portion of the amount of the certificate using it and the forecast letter as collateral—and possibly at about the same rate as the yield. This is where the financial co-operative helps again the investor and the co-operative.

## Maintaining Liquidity

by EARLE L. ALLEN

*President, National Association of Canadian Credit Unions*

Despite the fact that the Canadian movement has accumulated some \$8 billion in savings to date, its own resources are not sufficient to serve all the credit needs of its 7 million members, and priorities must be established with respect to the wisest use of these resources.

Not the least of these priorities is the protection of members' savings and assurances that these savings are available on demand.

The matter of maintaining efficient liquidity controls therefore is paramount if the system is to function adequately.

What is liquidity? Briefly defined, it is a property of assets, a measure of the ability to promptly convert assets to cash, without loss, in order to meet commitments. The next logical question is, of course, "How much liquidity is required to meet normal business

### Section III Maintaining Liquidity

demands and retain the confidence of members who, through established practice, have come to regard credit union shares and deposits as withdrawable on demand?"

Canadian credit unions are incorporated under provincial (as opposed to federal) legislation and, consequently, there are varying liquidity requirements and approved liquidity reserve investments from province to province. Generally, however, all legislation provides that credit union liquidity reserves can be invested in interest-bearing vehicles. This condition contrasts with the requirements of the Canadian chartered banks which, being governed by the Bank Act, which is a national statute, not only have a primary reserve requirement of 12 per cent on demand deposits and 4 per cent on notice deposits, but are required to keep these reserves in cash or interest-free Bank of Canada deposits.

How much is liquidity, to a large extent, governed by the type of credit union operation involved? In a credit union providing only a savings and loan service, liquidity reserve requirements are naturally much lower than in a full service credit union providing negotiable order or chequing services. Savings accounts (shares) generally turn over only about once in two years, or an average slightly in excess of 4 per cent per month. But, even here, we must consider certain characteristics of our share accounts.

- (1) Can a credit union legally require a notice of withdrawal from the member wishing to utilize his savings?
- (2) Is there a seasonal variation in the inflow of savings?
- (3) Is a considerable volume of the savings of a credit union held by a few individuals who could withdraw these funds to take advantage of higher competitive rates?

For credit unions offering deposit services, both chequing and notice, the need for higher liquidity reserves is self-evident. Chequing deposits have a turnover rate of 15 to 40 times per year, thus necessitating an accurate assessment of probable cash in-flows in order to have funds available to meet this turnover. And, even though notice deposits are normally held until the term expires, cash

is required at the expiry date unless the deposit is renewed. In times of stress, term deposits will be withdrawn even if the depositor suffers an interest penalty, thus further aggravating the liquidity requirements. Management must therefore satisfy two requirements—the need to have unproductive or low-yielding investments available to meet member demand and the need to maximize the profitability of the organization.

In the past, some credit unions have attempted to reconcile these divergent needs by borrowing from other financial institutions or from members on a short-term basis and investing in long-term assets—either loans or securities. Such a policy will generally succeed when interest rates are stable or falling, but is fraught with disaster in a market such as we have experienced during the past 12 months.

Obviously, there is a need for outside borrowed capital, both for the leverage to be achieved by its use and for the need to balance fluctuating cash inflows and outflows. However, we are convinced that in the interests of our members, we must generally emphasize a conservative and practical policy which restricts further loan and investment growth to the permanent increases realized in our member share and deposit accounts and which attempts to match the relative term of both assets and liabilities. For example, this policy would have significant implications for variable rate residential mortgage loans.

Finally, the Canadian credit union system is attempting to define its liquidity requirements and relate them to a practical, rather than a statutory base. Since 1973, we have been studying this area, developing the reporting forms and statistical analyses required to identify and control potential liquidity problems and adverse trends; determining liquidity levels; and ascertaining the types of investment vehicles to be used, given existing reserves and the cost-price ratios of various fund sources. This is a formidable task, but one which must be accomplished if our system is to achieve the dramatic yet orderly growth which we anticipate, and enable the movement to participate in other co-operative ventures in a sound efficient manner.

## Promotion Strategy in Malaysia

by N. A. KULARAJAH

*President, Co-operative Union of Malaysia*

. . . In the promotion of savings the Co-operative Central Bank has employed a number of measures including campaign style programmes. But before doing all that, the organization geared itself into the position of a business organization with a co-operative base. It also began creating an image of itself as a businesslike venture aimed at providing the services the members wanted in a better and more efficacious manner than provided by others. The planning of this was done with great care and meticulousness after careful analysis and study of the response and reaction to our earlier schemes and services. There was also analysis and research on the general situation existing in the Movement and in Malaysia.

From the study made, certain factors became obvious. The first factor was that we were dealing with very enlightened and conscious people; the second, was that co-operators were not willing to take their organizations for granted. They would respond or patronize if they were assured of the ability and soundness of the organization. In other words the organization had to be an open book. It had to go to them, not wait or take them for granted. The third factor was the great communication gap that existed between members and the organization. There was no two-way flow of information. No relationship existed in any form whatsoever. Many members could not identify themselves with the organization or feel any real sense of belonging to the co-operative. Finally, the majority of the members hated the term "member education". They felt it was belittling. To these people it seemed a little ridiculous to be given education on the co-operative and on various other things.

In planning its line of attack, the Co-operative Central Bank had to consider these factors. The first action it took was to ensure that all employees were trained and motivated to respond to the schemes it was going to launch, its plans and strategy. Train-

ing of employees is a much more important priority than education of members.

The next stage was to publicize, advertise and make the Co-operative Central Bank as well known as possible to its members as well as to others. Circular letters on every scheme, advertising materials in the form of leaflets and brochures and personal communication with those who seemed difficult were instituted. A monthly newsletter was also started.

A full scale relations programme was begun, to build and establish an image of the Co-operative Central Bank as a strong, viable and a purely service organization. The Co-operative image was being simultaneously enhanced. Large scale advertising was done in competition with the private sector. This had the dual effect of showing a co-operative business organization competing with others on the same basis and employing similar methods of promotion. The concept of a purely social organization was therefore being erased. The minds of members were being satisfied that it was a dynamic and living organization in which they could see their own interests growing.

Our public relations programme as a matter of fact, incorporated the education programme for our members. We did not want to use the term "member education" since it jarred the sensitivity of our more mature members. Therefore, we overcame it by calling it a "public relations" or "member communications" programme with education a major aspect.

It was in fact education, but with the emphasis that we were willing to offer what they wanted as long as they were willing to respond to this offer in the co-operative spirit. We have not deviated away from the Co-operative Principles of self-help through mutual help. We have tried to show to them it was not a one way effort, that the organization was willing to work hard and that it was well organized and functioning to serve them.

In these circumstances, it was only fair that they should also live up to their obligations and responsibilities. In present day circumstances we have to take this method of action because membership is large and distributed over a very wide area. Personal contact with the organization is often lacking and therefore to take members' loyalty for granted would be stupidity.

Once we had achieved a certain measure of success, we zeroed into our savings schemes to make them attractive and convenient, backed by very efficient and effective service. We offered competitive interest rates on savings, provided insurance protection cover, easy and universal withdrawal facilities, arranged for savings to be made monthly by deducting a fixed amount of savings every month direct from the source of their income. A full scale savings campaign was launched on various themes.

Education on interest payments and on the importance of savings to meet future needs was done extensively. We are also planning new savings schemes which have been announced: they include savings certificates and savings without passbooks. By announcing these well before their time, we have impressed the members that their organization is all the time thinking of new ways to improve and better the schemes and services.

We made it clear that credit should only be used for very valid and useful reasons and not otherwise. We decided that we would need evidence of productive purpose before we would give any credit. We also tied our

savings scheme with the credit that we offer. All applications for personal loans from individual members were subject to a condition—that along with their monthly repayment instalments, they must make an additional payment of 1 per cent of the amount of the loan as savings in the Bank. This 1 per cent savings every month was not withdrawable until after one year of settlement of the loan. The condition has been extremely useful to members because while settling their loan, they are also making savings which earn interest.

Other credit schemes introduced for individual members were means of fighting inflation and alleviating the problems of members. They were also a development of inter-co-operative relationships. We introduced a scheme whereby we were willing to give credit up to a limit every month depending on income for purchases made at the Malaysian Co-operative Supermarkets Society where prices are at reasonable levels. These purchases were to be confined to essential food and necessities and not for frivolities or luxuries.

Another credit scheme introduced is the hire purchase financing done in conjunction with the Malaysian Co-operative Agencies Society Ltd. We are giving loans to individual members to purchase household and other domestic requirements including electrical goods from the Malaysian Co-operative Agencies Society Ltd. Again in all these schemes there are conditions which each member has to satisfy before a loan can be approved.

## Inter-Co-operation

by A. LEWINSKY

*Director, Bank Hapoalim, Israel*

Credit co-operatives have sprung up wherever individuals have combined to do something jointly about their financial problems. Gaining strength, they have founded unions and central institutions. They have developed friendly relations with co-operatives in other fields. Today they proudly belong to the International Co-operative Alliance.

In Israel, adverse material conditions and social vision have led to such concerted action. The Israeli Trade Union Movement, faced with the task of creating employment opportunities for its members in a country to be built from scratch—a task, in our case, even more urgent than that of the orthodox trade union mission to fight for better wages

## Section III Inter-Co-operation

and improved working conditions—identified itself from the very outset with the co-operative idea. In an unprecedented decision, every union member automatically became a co-operator. Histadruth—the Federation of Trade Unions—itself became a super co-operative under the name of Hevrath Ovdim—the Co-operative Society of Workers in Israel.

As a result, a multitude of co-operatives—in the fields of agricultural and industrial production, transport and services, marketing and buying, consumption and housing, insurance and credit—developed united under one roof. Based upon limited groups of members within each undertaking, their common effort for the benefit of the working population thus constitutes their joint contribution to the nation and to the State.

The dreamers who, as far back as 1920, envisaged this moral concept of a “new society” growing and building in democratic co-operation, showed a surprising practical sense of realities. They realised that the “have-nots” of 1920 needed a bank as their financial instrument to channel savings and credits for members and their co-operatives alike, ultimately providing the financial um-

brella that would not be withdrawn in days of hardship and adversity.

Yet the goals set for this bank were even more ambitious:

- To become the guardian and trustee for all savings, pension funds and provident funds, continuously developing new savings schemes and potentials.
- Prudently to invest the accumulated funds in development projects: in agriculture, in industry, in services, in economic and human infrastructure, whenever possible according priority to co-operative needs.
- To ensure a reasonable price for money—for deposits and for credits alike.
- To open the country’s money market to Histadruth’s co-operative economy.

Bank Hapoalim—the Workers’ Bank of Israel—now the second largest bank in the land, with its four-and-a-half-billion-dollar assets, an institution of international standing and still growing rapidly—proudly justifies today what seemed a Utopian dream barely fifty years ago.

## Strategic Planning in the Co-operative Central Bank

by WERNER BLEILE

*Director, Genossenschaftliche Zentralbank AG, Basel, Switzerland*

“Business strategy”, or strategic planning, is a relatively new term, used both in theory and in practice. Its purpose is to define the main objectives of an undertaking, and explain possible methods by which these may be achieved. The basic strategy of the Co-operative Central Bank is determined by its objectives. The Bank is the central financial institution of the Swiss co-operative and trade union organisations, and therefore its objectives are social. Two-thirds of its business is carried out under normal business conditions with all sectors of the economy; this allows us to devote the remaining one-third of our activities

to serving co-operatives and trade unions, with the aim of procuring better financial conditions for those organisations, making capital available for social housing, and providing liquidity to cushion seasonal fluctuations in the financial needs of the co-operative groups.

This basic policy also allows us to look at some other aspects, e.g. savings. We do this by expanding our branches to make savings facilities more easily available, and channelling the savings potential of neighbouring individuals and organisations. This development allows us to offer specialised services, such as



## Section III Strategic Planning in the Co-operative Central Bank

a premium savings system for co-operative and trade union members.

Strategic planning and the highest possible efficiency become more and more necessary for our Bank, in view of the worsening economic situation and the sometimes negative intervention of Government in the financial field. The Swiss Co-operative Group is at present engaged in vast expansion, and large capital requirements are needed for the building of new regional warehouses and to capitalise against inflation. At the same time,

one-sided interventions by the National Bank and the Government, in the money and capital investment markets do not help to meet these requirements. Above all, credit and cash restrictions will not overcome the problem of inflation. Investment in higher productivity must be increased, and the work norm of every individual, as regards both quality and quantity, must be improved. Only then will it be possible to fulfil our duty to the economically deprived peoples of the developing countries, not only in words but by productive action.

## Structure, Co-ordination and Power

by THEO BRAUN

*President, Confédération Nationale du Crédit Mutuel, France*

### Horizontal Structure

Thrift and credit co-operatives, created and activated by the persons or families which they group together, constitute the basic unit of our institutions and are the first centres of responsibility.

The activities of these thrift and credit co-operatives, very simple at the outset when they received deposits and decided on the loans to be granted, were later diversified and orientated towards a more general "banking" activity as a result of the joint effect of several phenomena. Therefore, banks and thrift and credit co-operatives converged, as far as services offered to individuals were concerned, and local savings banks must now provide for their customers and members personal services of a high standard at lowest cost. In order to cover their costs and maintain the social character of the institution the operations of local savings banks must be profitable, their administrative services productive. They must also be of an optimum size and these requirements, necessary for continuous progress, give another dimension to thrift and credit co-operatives. The optimum size is the one which will cover a sufficiently large geographical area and which will ensure the provision of services to a sufficiently high number of customers in order to redeem investments, but at the same time one which will be small enough to remain

human and founded on relations between people.

However, to justify ourselves economically, and maintain ourselves at the level of competition in order not to disappear from the harsh scene of economic competition, is not an end in itself. Our economic justification is made necessary by our preliminary wish to organise solidarity which, at the social level, justifies our "raison d'être" and our will to hold our own. For us, to organise solidarity is to enable our members to achieve a higher level of well-being through self-aid, a means which is consciously used with an educational aim: to encourage mutual aid and solidarity means to train responsible men. And to promote responsibility is to promote democracy since, in the economic field, democracy is a participation requirement—participation in capital and true participation in responsibilities.

In what has become a classic analysis, Professor Desroche has outlined schematically the local savings bank, representing it by a quadrilateral the four angles of which are occupied respectively by the members, administrators, management and employees. The members are at the basis of thrift and credit co-operatives which they have joined freely and from which they can withdraw if they wish. To mark this membership they have

### Section III Structure, Co-ordination and Power

paid a share, becoming in this way and along with other members, owners of the co-operative; at the same time they are users of the co-operative. Gathered in the General Assembly, these members elect the administrators in accordance with the principle "one man, one vote". The administrators who are elected in this way, if they do not directly control the enterprise, do at least control its management. They nominate, among their members or from outside, managers or directors who, in their turn, recruit employees. In practice, however, the running of these savings banks depends on the relations which exist among these four components, and there exists a real danger of the power of decision shifting from administrators to technicians, bearing in mind the increasing complexity of techniques used.

Nevertheless we remain optimistic because we have faith in the men who have joined our movement: they know that to choose the co-operative or mutual movement requires human qualities. First of all, rejecting any desire for gain, they accept a voluntary form of organization. It is these voluntary administrators who also bring about intellectual renewal and a creative outlook within our organizations. Then, they must be capable of enduring the pressure which any type of collective responsibility entails and of accepting a collective discipline, that is, of going beyond their own interests. Moreover, we place a great deal of hope in the possibilities and willingness constantly to train and inform both members and administrators in order to prevent them from "resigning" in the face of the growing complexity of problems which they—the non-professionals of the bank—have to solve.

#### Vertical Structure

The basic units are autonomous. This original feature has constituted the principal strength of the Mutual and Co-operative Credit Movement and it is essential to maintain it at a time when the evolution of techniques seems to impose increasingly larger units.

In order to execute the tasks which they were not in a position to carry out themselves individually, the basic units have set up

common services—or secondary organizations—to which they have delegated powers of decision. Interdependent, the units are in touch with each other through these secondary organizations to which they are all affiliated.

One should not seek only a balance between administrators and technicians within a local savings bank. Another problem presents itself, that of striking a dynamic balance between the basic units and the secondary organizations, a balance which should uphold the advantages of non-centralization and respond to the imperatives of efficiency.

The secondary organizations which are also centres of responsibility, have a financial, administrative and policy-making role. At the financial level, they are responsible for supervising the solvency of local savings banks—in accordance with the norms which they have set themselves or which have been set for them by Public Authorities within the framework of banking regulations—and for guaranteeing against the risk of liquidity. It is also their role to increase, through refinancing, the potentialities of local savings banks.

The secondary organizations also operate on the money market for investing the funds entrusted to them by the savings banks. Finally, the secondary organizations help the savings banks to put at the disposal of their members the complete range of formulae which a fully-fledged bank offers to its clients.

At the administrative level, their role is to undertake to defend the savings banks' interests, to ensure communication within the group and to carry out all studies likely to contribute to the improvement of the context within which the activities of the group are carried out. But their role does not stop there, it also includes defining a general policy in consultation with the savings banks, and making sure that this policy is applied even if it results in internal regulations governing the activities and life of the movement.

Is there a risk of the powers of decision shifting towards the secondary organizations?

We would reply "no" because we are discussing a federalist structure where the secondary organizations emanate from the basic cells and where federal power is naturally limited by individual powers. We will again

reply "no" in the sense that the objectives of secondary organizations complement those of the basic units and the latter are decisive. The secondary organizations must enable the local savings banks to fulfil under the best conditions the aims which have been set for them.

Finally let us note that in order to facilitate regular and useful relations among the savings banks themselves and also between them and the federal organizations, we think it appropriate to create an additional subdivision which is at the same time a nerve centre and a distribution centre to link the local savings banks with the federal organizations. At that level, meetings are held of committees elected by the local savings banks and of delegates nominated by the federal organizations.

Lastly, a federal structure implies a confederal organization, described as a tertiary body, which is the last centre of responsibility. Its role is to ensure credibility by offering guarantees to the public at large and to Public Authorities regarding the safety of deposits; to represent the regional organizations on a collective basis; to ensure the group's cohesion by achieving unity in the definition of objectives and subsequent action; and finally, to maintain the discipline of the community.

Is there a risk of too much similarity between the statutory powers of tertiary organizations and those of Public Authorities?

Our local savings banks are bound to apply the legislation in force, whichever organization may be responsible for ensuring that it is applied. But at the level of internal regulations, this similarity is tempered by the fact that our tertiary organizations are centres of concerted action and co-ordination. Indeed, the more complex an organization is, the less it can be satisfied with merely applying regulations. It must count on the co-operation of all its members and strive to obtain their conscious participation in common efforts.

#### **Links between Centres of Responsibility**

In order to understand the links gradually established among these various centres of responsibility, we must consider the problems of "government" of the institution as a whole,

in which the local savings banks, the secondary and tertiary organizations are combined. These problems of "government" cannot be stripped of their power dimension.

*Within the co-operative movement*, we must not consider power only from the angle of the holder of power, but from the angle of the relations which are established, and the power phenomenon is also an integrator phenomenon and its main virtue is that of admitting confrontations, transfers and exchanges. Moreover, power does not exist in itself, it is only conceived in the perspective of an aim and in this sense I, for my part, consider that powers emanating from different sources can co-exist for increasing efficiency and that it is possible to understand and foresee how, in practice, these different powers come to terms and strike a balance with each other. In order fully to understand the data and dynamism of delegated power, it is necessary to direct attention to the organization, taken as a whole, which constitutes the framework. Then, power no longer appears as just a relationship between individuals, but as a process which is inseparable from the process of organization.

The problems posed relate to the definition of hierarchical relations between central organizations and the basic units and to communication among administrative authorities.

To solve these problems, we believe first in the human wealth which exists within our organization and which must be mobilized in order that the movement should progress. The solution of these problems must then be placed in an "institutional" framework which extends beyond that of "components". We must resolutely condemn a "contractual structure" based on agreements between primary and secondary organizations. Such a contractual structure would indeed be a denial of the "institutional structure". The components which go to make a "whole" do not exist by themselves; they are subject to interdependence, to inter-action. The "institutional" structure enables us to link together elements composing the same whole. Within this "institutional" framework, it will be possible to hold the dialogues necessary to

### Section III Structure, Co-ordination and Power

settle conflicts of all types among organizations and men. A global conception, a collective discipline, a harmony among those who are elected and those who administer will result from this framework.

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Our local savings banks have very precise objectives. To define them they practise participation, and to achieve them they use their own means, or appeal to secondary organizations in so far as a concentration of means at these levels enables the various savings banks to increase their efficiency.

Emanating from the basic units, the secondary organizations have themselves created a third level which is indispensable for the group's cohesion and for the unity of the movement's public image.

Is not the ever-increasing concentration of technical means necessitated by higher efficiency the source of constraints which could well bring about a concentration of power?

We can avoid this danger if we remember that means must not be separated from ends which, as far as we are concerned, consist in organizing solidarity. The transition to this new model which does not dissociate means and ends is above all dependent on the development of men themselves, and we have faith in mankind.

The true participation which we want to achieve at all levels is possible if each individual is sufficiently trained and informed. Training is therefore indispensable, for if we are not careful we run the risk of depriving our enterprises of their human element and of causing ruptures at those very places where we should achieve stability. Finally, information is fundamental because it forms the basis of all decision. Participation can only be real in so far as each individual becomes more demanding, more free and more capable of bearing the pressure resulting from collective responsibility.

## Co-operative Development in the Third World

by H. BENZING

*Friedrich Ebert Stiftung, Federal Republic of Germany*

The key position of the savings and thrift sector has been mentioned. The dual problem for our development work consists firstly in the fact that there are often no credit co-operatives, and secondly that, in many cases, the technologies with which we work are not adjusted to modern requirements. This means that the developing countries are often very dependent on other countries for even the organisational prerequisites. The hopeful initiatives of some oil-rich countries in setting up funds for financing development will not be forgotten. However, all of us realise that in order to build up organisational infrastructures within our co-operative sector, much more is needed than just money. In order that the poor sectors of population should accumulate savings, certain attractions have to be offered, and a credit and thrift organisation needs a certain economic and tax attraction. "Protectionism", is a real prerequisite for life and for survival . . .

Well organised co-operatives in both industrialised and developing countries will progressively take over many tasks which the state, if it is conscious of development, ought to bear. Where a non-state initiative enables an economic and social development to take place it should be promoted, because in this way there is a real link with human society. The realities prevailing in many developing countries are very far removed from initiative on an individual level. This does not mean that there is a lack of willpower or a lack of readiness to solve one's own development problems, but without material and without personal stimuli from outside, in many cases no changes can be achieved. And the political and population pressures urge us to speed up our actions because we really have to catch up fast. In this connection we also must ask questions, and decide which are the best economic forms with which to operate. As long as international co-operation does not function better, we must

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not expect too much of the national co-operative sector.

We have, of course, multi-national possibilities of solution. But traditionally the multi-national solutions are hardly represented, or they are not feasible because the co-operatives, under the legal system prevailing in their country, are ruled out of the speculative sector and out of speculative business. Measures must be taken to make co-operatives more efficient and also, of course, co-operatives must adapt to the social and political situation as otherwise they are isolated and cannot renew themselves to fulfil their functions. But I think co-operatives take very courageous initiatives to reform themselves; this is expected of them, and also that they should act for the common good within the context of development. This is a legitimate requirement, but rather difficult to bring about, and it often goes beyond the framework of traditional co-operatives . . .

A co-operative solution appeals to many people, because they want to be protected from an extreme individualism. Democratic

structures have become the content, and not only the slogan, of our programmes. But as soon as we talk about mergers, and as soon as economically efficient solutions begin to be translated into fact, there is a horizontal and vertical conflict with the democratic principles of our co-operative movement. That is why the consequences of mergers—and in a reverse sense also of decentralisation—must be taken seriously with regard to our work in the third world.

As an active Foundation we are fully engaged with developing aid, and the Friedrich Ebert Foundation particularly tries to form and to train co-operative experts from the third world. We are not the only ones to do this. There are other political foundations in the Federal Republic of Germany, and many other organisations in our country or abroad, which have this aim in mind. In many cases when carrying out this task we are faced with great expectations which engage our whole sense of responsibility and exact large material aid, and we always try to reduce things to the correct level and to adapt circumstances to co-operative solutions, and also to measure the demand which really exists.

## Amalgamation of Co-operatives in Japan — the 5-year Plan

by TAKESHI HAYASHI

*Director, Norin-Chukin Bank (Central Co-operative Bank for Agriculture and Forestry)*

In 1970, co-operators launched a new 5-year plan for the promotion of amalgamation, this time on their own initiative. The Central Union of Agricultural Co-operatives (CUAC) drew up a policy for the new stage as follows:

1. A co-operative should have a minimum membership of 2,000 farmers, and should cover a village or town. A maximum size of 6,000 members and 100 employees is advisable.
2. In special areas where co-operatives are required to have a wider scope, e.g. a planned Farming Complex, the size of the co-operative should be deter-

mined in accordance with the overall plan.

### Amalgamation Procedure

Purposes, optimum size and other principles are generally defined in the policies of CUAC, taking into account the circumstances and the general interests of the co-operatives. Prefectural unions undertake the action promotion. The *Prefectural Union* organizes a group of specialized personnel, and then:

1. Sets up an *Advisory Committee* consisting of representatives from the prefectural government, federations and

## Section III Amalgamation of Co-operatives in Japan—the 5 year Plan

primary co-operatives. The Committee studies the various conditions in the prefecture and decides on the local policy;

2. Prepares the amalgamation plan under the guidance of the Committee. The plan gives the complete outline of the amalgamations to be recommended in the prefecture, usually involving all primary co-operatives;
3. Submits the plan to all co-operative leaders for examination and discussion. When the co-operatives involved in a recommended amalgamation have formed a study group, the Union specialist goes through the details with them and helps them draw up their own blue print. They discuss the feasibility of amalgamation, and suggest any necessary alterations;
4. Establishes the *Preparatory Committee* consisting of directors and managers of co-operatives, representatives of the municipality and the prefecture union;
5. Helps co-operatives to publicize the plan for discussion among members. The plan is examined by various groups and societies in the area, such as community meetings, women and youth clubs.

Finally, before implementation, the plan must be approved by the general meetings. The Law and the articles of co-operatives require that amalgamation should be approved by a two-thirds majority.

### Problems and Counter-measures

During the process of promotion we were faced with all sorts of difficulties. Some co-operative members, especially in the case of small but strong and well operated co-operatives, wanted to keep their co-operative small. Some directors wished to retain their seats rather than risk the opportunity of new elections. Some employees were afraid of losing their jobs or being transferred to distant offices. There were also emotional factors involved.

In the paper presented by CUAC on the occasion of the ICA Regional Seminar held

in Tokyo in 1972, the merits of amalgamation are generally recognised as follows:

1. Increase of available funds, due to increase of credit-worthiness.
2. Increase of maximum limits of loans and reduction of interest rates.
3. Strengthening of farm guidance system.
4. Expansion of marketing and supply business.
5. Expansion of various facilities.

However, there are the following disadvantages:

1. Difficulty of maintaining close communication between increased numbers in wider geographical areas.
2. Necessity for an improved management control system and increase of productivity, in response to expansion in the size of management.

The questionnaire sent out by the National Mutual Insurance Federation of Agricultural Co-operatives in 1973 brought in more than 7,000 answers from members of amalgamated co-operatives. Of these,

41% approved the results of amalgamation;  
28% thought it had made no difference;  
15% were undecided;  
and 10% disapproved.

Of those who approved, 47% pointed out the general increased confidence in the co-operative, and 39% the improved services and facilities.

The disapproving group's complaints were centred on the lack of familiarity, reduced personal contact, and similar factors.

Amalgamated co-operatives have taken various measures to deal with the two main disadvantages, as follows:

1. *Poor membership relations*
  - (a) Block (or small community) meetings have been organised, attended by co-operative leaders and employees. Information on co-operative activities is presented and discussed, and the block's views are passed back to the management.

- (b) Employees visit members' homes at least once a month to collect savings instalments, and make full use of this opportunity to build up better understanding and to keep members informed about co-operative activities.
- (c) Commodity groups meet frequently as problems occur. These are always attended by directors and employees in charge of farm guidance and marketing.
- (d) Wire communication systems are operated by agricultural co-operatives in rural areas. These consist of direct lines from the co-operative office to a handset or loud-speaker in each member's home. Daily news is announced by co-operatives over the wire at various times of day.

## 2. *Increased Managerial Responsibility*

While amalgamation brings about an increased volume of business and makes possible economies of scale, it also requires a higher level of management. To start with, the management must find an answer to the increased expenses due to amalgamation. Higher salary systems, lower interest rates, reduced commission, all must be organised as efficiently as before.

Usually co-operatives form a larger board of directors, and increase the number of full-time directors. It is essential to select the right man to fill the position of manager. In cases where a person with sufficient abilities cannot be found among the employees, the Prefectural Union appoints its own personnel to serve as manager for a year or so. Increased participation in the Union training programme has taken place.

## **International Collaboration depends upon National Solidarity**

by Dr WALTER HESSELBACH

*President, Bank für Gemeinwirtschaft AG*

The constantly increasing international division of labour in the production of goods and services has still no equivalent in a capital market functioning supranationally. This will certainly have the result that the possibilities of an international division of labour cannot be fully utilized, so that the rise in world prosperity will remain below its potential.

The co-operative thrift and credit sector is still hardly affected by this deficiency. Its international collaboration consists in any case mainly of mutual exchange of experience and information, and not so much of capital assistance. The primarily middle-class areas in the industrial countries, and the primarily agricultural areas in the developing countries, as well as the construction of housing facilities for large sections of society, which are the spheres with which co-operative banks are mostly concerned, must themselves finance their investments and structural adjustments to a large extent. Large capital assistance

hardly concerns them. They are in any case mostly thrown back upon their own resources—irrespective of whether they are concerned with the development of agricultural or middle-class structures in industrial countries or the industrialization of whole developing countries.

The industrialization of whole countries and whole areas is in any case primarily not a question of capital. It is primarily a socio-psychological learning process, a problem of becoming intellectually conscious, of intellectual "rationalization". This has been shown repeatedly. Once the will and the intellectual conviction in favour of industrialization are present, adequate means to finance the contemplated industrialization are found. This happened during the industrialization of Europe and America, of Japan, of the Soviet Union, and it is now happening in China. These are the four great examples of industrialization so far in the world. All four were

### Section III International Collaboration depends upon National Solidarity

achieved after social and political changes, out of internal resources, and without capital aid.

The industrialization of each of these areas now differs widely from the others, having been carried through under entirely different political, social and intellectual circumstances. This demonstrates that there is a very broad spectrum of possible solutions to the problems of industrialization in any country, and justifies the hope that the co-operative method is also a possible means of developing areas in industrial countries, or even whole development countries. The range of industrialization, hitherto mainly successful, of whole countries as well as of individual areas in industrial countries, shows that economic development can be carried through in a humane and dignified manner. Fortunately it is not always true that successful industrialization and development can only be carried out by totalitarian-communist or totalitarian-capitalist dictatorships. Experience shows that it can also be done democratically.

It could also be undertaken in a co-operative/democratic way, which involves intellectual re-orientation. A primarily intellectual rationalization conforms to the tradition of the co-operative banks. The great sociologist Max Weber said that the change in awareness as a condition for evolution, the "disenchantment", the rationalization of man's consciousness, means in practice education: a trigger factor which lies completely within the tradition of the Co-operative Movement. Have there not always been great teachers at its beginnings—Robert Owen, Schulze-Delitzsch, often almost preachers?

Almost as important in such development as the change of consciousness, and resulting from it, is the systematic development of the monetary side of the industrialization process: the introduction of autonomous saving, made possible and initiated by a co-operative banking system. The German Co-operative Movement really started with Schulze-Delitzsch's book: "Vorschussvereine als Volksbanken, mit praktischer Anweisung zu deren Gründung" ("Credit Associations as People's Banks, with practical instructions for their formation").

The great British political economist,

John Maynard Keynes, once compared an industrially developed country during deflation with a pump which has dried up but needs only a pint of water to get it going again. Several years ago I used this example in reverse. It will easily illustrate the problem under discussion. Development areas are most certainly "water-carrying formations" which may only need a pump to raise the water. Often the only lack is of suitable banks to draw out the savings latent in every society and activate these for the fertilization of the land. In my opinion here lies the most important task of the co-operative banks, whose foundation only needs the right type of co-operators. Such institutions operate to start with on a regional and national level only. Regional and national activities will always take first place with these banks, which means that they are in the main only slightly affected by the difficulties of the world monetary system.

The function of such a banking system consists in drawing in latent savings and using them for investment purposes. Savings are really always there, although often in a non-monetary form. Non-monetary savings are "wrongly" invested because this form of "saving" does not result in anything productive. Its sole effect is that, through non-monetary saving, the cost of, for example, land or precious metals increases unnecessarily.

If areas are to be developed economically, savings must be channelled into productive investments. To carry out this transformation of savings the banks must reach beyond the level of individual branches or industrial firms and expand with advancing development. Ultimately the whole country must be covered with a wide network of thrift and credit co-operative banks. Special attention must be paid to attracting deposits, especially in farming areas where experience shows untapped saving potential to be the greatest. If stable capital development is to take place, such a thrift and credit organization must have strong roots in wide social strata, for which co-operatives are especially suited. Savings then increase steadily with growing industrialization so that the process becomes "self-developing".

If new capital results from the saving



process started in this way it can then be used to provide credit for the less developed branches of the economy. Here, especially, the positive effects should not be underestimated, entailing the furthering of local trade and small enterprises. In most economic studies too much emphasis is put on large industrial projects. The importance of small and medium sized enterprise is easily overlooked. Co-operative banks in particular could contribute enormously to modernization and profit growth in these areas. A wide network of co-operative banks of this type could above all promote credit in the non-public sector. Finally, co-operative banks can offer new possibilities for foreign investors to take better advantage of domestic credit. This process is, in my opinion, the lever with which underdeveloped areas can be stimulated to a higher rate of growth and therefore of development.

If a national co-operative banking system is built up, and like a "pump" converts money into capital and encourages growth, there is then the possibility of greater international co-operation in the financial field. The possibility of new and diverse capital investment within the country would help to obviate the exodus of capital from which many countries suffer. The reason for this exodus is not necessarily due to a country's unstable political situation, but is also very often the result of the non-existence of a developed capital market. If the establishment of a

domestic capital market is successful, this will then not only permit the issue of foreign securities in the domestic market, but also make it possible with their support to offer a country's own issues on foreign capital markets.

Such a system makes it possible to open up development aid funds for co-operative investment projects. This should receive worldwide welcome, since hitherto large funds have been mainly orientated towards giant projects which very often do not entirely meet the development requirements of many countries. After all, investment projects should encourage the creation of a farming and artisan community, which in so many countries is responsible for development progress.

In my opinion, the most important precondition for international collaboration in the financial field would be more co-operative solidarity financially on a national basis, i.e. the expansion and collaboration of co-operative credit institutions and affiliated enterprises, such credit organisations covering the whole country or whole economic areas. The fact that the monetary system carries at present new and heavy burdens, and that nobody knows how the situation is going to develop in the next few years, makes it essential to develop the co-operative banking systems within the various countries, as only with their support can effective international collaboration be made possible.

## Inter-Lending

by M. ROBERTSON

*President, International Credit Union Services Corporation*

At its first Planning Committee meeting held in October 1971, the World Council of Credit Unions made the decision that its first priority would be development of an international finance programme that would allow credit Union and associated organizations in the developed countries to provide capital assistance to credit unions in the less developed countries for the purpose of financing members' agricultural and production activities.

In furtherance of this decision the

World Council began working with its US confederation, the Credit Union National Association (CUNA) and the International Credit Union Services Corporation (ICUS) to design and implement an International Inter-lending Programme (IIP) to make investments and loans to credit union organizations.

### **International Credit Union Interlending Programme (IIP)**

The basic objective of the IIP is to provide a

## Section III Inter-Lending

mechanism through which credit unions and co-operative organizations in the developed countries can make investments and loans to credit union organizations in the developing countries. Loans made under the IIP will be utilized primarily to finance individual credit union members' production-oriented activities in agriculture. Specific provisions have been included in the IIP lending policies that loan funds are not to be used for consumer spending since the use of external funds for this purpose would contribute to inflation in the borrowing country. As it has been designed, the IIP envisages the participation of various organizations, each having a particular IIP function to perform.

### **I—The International Credit Union Services Corporation (ICUS)**

ICUS is the executing agency which will be responsible for the mobilization of funds from US credit unions for lending under IIP. ICUS will also have the responsibility of administering the IIP.

Presently, ICUS has a number of ongoing financial services which it provides to credit unions, primarily in the US. The experience in managing these services gives a unique advantage in administering the IIP. Among the services that ICUS now offers are:

- (a) a programme to invest credit unions surplus in government securities has passed one billion dollars;
- (b) money orders and travellers checks;
- (c) transfer and negotiation of commercial paper; and,
- (d) a United States Interlending Programme.

### **II—The US Central Credit Union (USCCU)**

This is the central finance organization, in which the funds for international interlending will be invested. It will make the loans, receive repayments, and carry out the financial transactions concerned with the international interlending programme. The US Central Credit Union is managed by the ICUS.

### **III—The Overseas Private Investment Corporation (OPIC)**

OPIC provides investment guarantees on loans made by US organizations for develop-

ment overseas. OPIC is the US government's principal catalyst for stimulating US private investments in developing nations. OPIC is authorized to issue up to \$750 million in loan guarantees. In addition there is special US legislation for loans made by US credit unions to credit unions overseas providing for 100 per cent guarantee of up to \$1.25 million. The sum is specifically for a pilot project so as to enable us to more accurately measure the risk factor involved in the IIP. This guarantee given on loans comes within the bilateral agreements between the US Government and the governments of the borrowing countries. These agreements usually provide protection against loss due to political risks such as currency inconvertibility, expropriation, war, revolution and insurrection. They also provide that whatever legal remedies are available to local corporations for repayment of loans will also be available to the United States lending agency.

### **IV—Confederacion Latinamericana de Cooperativas de Ahorro y Crédito (COLAC)**

COLAC presently integrates national credit union federations from 14 Latin American countries having a network of 2,500 credit unions with over 150 million in assets and over 1,300,000 credit union members. Over the past decade the accumulated loans made and recovered by these credit unions have been over \$600 million. Twelve of the 14 national federations have central finance departments.

### **V—The World Council of Credit Unions (WOCCU)**

WOCCU is the world-wide organization of credit unions and is presently made up of 7 regional member confederations. Through these regional confederations, credit union development strategies are agreed upon by credit unions; standardized credit union operating procedures are encouraged, and a continuous exchange of credit union experience takes place. As a result of these efforts national credit union systems are emerging within many developing countries with high levels of loan management proficiency. This should ensure that external funds made available to these federations would be utilized properly and for productive purposes.

WOCCU will assist ICUS to monitor IIP loans by making field visits for the purpose of examination, evaluation and research, and to make appropriate recommendations to ICUS. Technical expertise needed by regional confederations or national federations to meet the qualifying criteria set by ICUS for participation in the IIP will be provided by WOCCU, currently with the assistance of the CUNA/AID Programme.

Principal guidelines and criteria to be followed in building and expanding the IIP are as follows:

- (a) WOCCU will use available expertise in the field of international finance and co-operation. Such expertise may be found within international organizations, particularly the specialized agencies of the United Nations, the World Bank, development banks and UN Commissions in Africa, Asia and Latin America.
- (b) The programme will be limited to those credit union organizations which have proven capabilities in loan portfolio management. In many countries, central credit union financing facilities have already gained experience in credit union interlending at the national level and have already engaged in borrowing from domestic and international sources.
- (c) The programme must be effective, productive and competitive from the point of view of both the borrower and the lender. Therefore, this interlending programme cannot form part of a subsidy programme to subsistence

farmers. It must be consistent with normal commercial transactions operating in the free and open money market.

- (d) All levels of administration should be avoided except insofar as they are necessary to contribute to the effectiveness and the economy of the programme. Wherever agencies already involved in an international interlending programme exist, have the expertise, methods and procedures for such lending, they should be consulted and their services should be utilized.
- (e) The amount of the loan, the terms and conditions should be such as would provide for a sufficiently large operation to gain for the borrowing country the advantages of economy of scale and the lowest prevailing interest rate.

One more characteristic of IIP worthy of mention is the flexibility that was incorporated in its design to provide financing at the various levels of the credit union movement depending on the degree of institutional development. The US Central Credit Union is in a position to make IIP loans to regional and national organizations demonstrating proven loan portfolio capabilities. If the institutional framework in the region or in a particular country is not sufficiently developed, USCCU is in a position to make loans directly to individual credit unions. To get the benefits of economy of scale, however, ICUS will make every effort to channel loans through the national federations' or regional confederations' central financing facility.

## An International Co-operative Financing Institution

by **B. TRONET**

*Finance Director, KF (Sweden) and Vice-President of INGEBA*

The concept of some kind of co-operative international financing institution has been actively discussed for at least a decade, and in recent years the idea has been gaining momentum. Analysis has revealed that there are three

major independent institutional arrangements to be considered:

- (1) an international co-operative banking institution;
- (2) an international co-operative fund;

### Section III An International Co-operative Financing Institution

- (3) an international co-operative consultancy service.

A major function of such international arrangements would be to tap available co-operative funds throughout the world and to make them readily accessible to co-operative enterprise in developing countries. This demands international machinery for financing and technical assistance that might be developed to meet the needs of co-operatives in the changing world situation. However, the effectiveness of such machinery will depend largely upon the regional, national and local infrastructure on which it must necessarily be based. The first task is to reinforce in the developing countries this substructure of co-operative credit, banking, technical and advisory facilities at all levels.

The foundation of the substructure obviously consists of co-operative enterprise—the farming, credit, supply, processing, marketing, artisanal, industrial, consumer, housing and multi-purpose societies—for which external support is ultimately intended. It is the basic viability of these enterprises which will in the end determine the usefulness of loans, financial aid and technical assistance from international sources.

At the same time, however, efficiency in the utilization of external funds and aid requires that they should not flow *directly* to primary co-operative societies, or their immediate (secondary) service organizations (district unions, etc), but should rather be channelled to them via apex servicing organizations at the national or subnational level. There must be intermediate links between local societies on the one hand and international sources of finance on the other; all of which should add up to a coherent network of financial support and technical assistance.

National co-operative servicing facilities are called for—institutions capable of providing focal points of co-ordination not only for pre-investment work, but also for project implementation in terms of obtaining local or international financing, providing managerial assistance and technical advice for all phases of co-operative projects and constantly adjusting original plans in the light of experience and the evolving situation. In short,

these facilities should provide continuing technical consultancy services to co-operative enterprises throughout the country.

There are several possible ways of providing such centralized services to the co-operative national movement of a developing country: through (a) apex co-operative organizations, that is, unions or federations; (b) national co-operative banks and their area branches; (c) co-operative insurance organizations; (d) various types of government development institutions; and (e) semi-public co-operative servicing organizations.

There have been considerable pressures in recent years, particularly in Latin America and South East Asia, for the setting up of co-operative financing institutions on a regional basis. These include proposals put forward for an Asian Co-operative Bank and detailed blueprints for regional co-operative financing institutions in Latin America.

The motives behind the various regional proposals appear to be quite similar. First, it is noted that there is shortage of indigenous investment capital for financing at the national and local levels which seriously inhibits the implementation by local societies of projects clearly essential to their continued growth. At the same time there are many who feel that significant co-operative financial resources exist within the region if only they could be mobilized through appropriate organizational structures. Regional approaches to co-operative financing will be most effective if they are co-ordinated internationally to avoid duplication and compartmentalization and to encourage pooling of resources.

#### **The International Co-operative Bank**

Since 1966 INGEBA has operated as a commercial bank making primarily short-term loans. Compared with other commercial banks involved in international operations, INGEBA is still a relatively small institution in spite of a growing membership and successive increases in share capital. However, its stated objectives are quite comprehensive, namely: to contribute to a pooling of resources of the world co-operative movement through the collaboration of all competent national and supra-national institutions which pursue the same

goals; to build a bridge between the different co-operative organizations on an international level; and to become a central instrument of co-operative development in the international field. Moreover both its membership and its sector coverage have been expanding rapidly in recent years, particularly in respect of credit, insurance and agricultural co-operatives, and INGEBA has been making special efforts to foster increased collaboration between co-operative banks in all parts of the world. If INGEBA continues to evolve in this direction it might reach the point where it will reflect a true cross-section of the international co-operative movement.

As this point is approached the case becomes stronger for expanding INGEBA's operations to cover short- and medium-term credit needs not only in advanced industrial countries but also in the developing areas of the world, as well as into the field of technical assistance. Eventually, also, the channelling of long-term loans (obtained from specialized institutions) to borrowers in developing countries could be envisaged.

In the first place an extension into long- and medium-term lending would imply a significant increase in the financial resources at the disposal of INGEBA. Only with a considerably strengthened financial basis and correspondingly increased business activities could INGEBA hope to become an accepted partner of those banking institutions from which it would seek refinancing facilities for development lending in its various forms.

Finally, INGEBA's technical assistance efforts could be reinforced by working in close harness with other ICA bodies and associated organizations, the World Council of Credit Unions, the International Liaison Committee for Thrift and Credit as well as with the specialized staff of various international agencies and national (bilateral) aid organizations concerned with relevant problems of co-operative development.

#### **An International Bank for Co-operative Development**

Through the processes just described it might be feasible for INGEBA gradually to become a true international bank for co-operative

development which, in addition to its present functions, would provide technical assistance and short-, long- and medium-term capital for the promotion of co-operatives of all kinds in both developing and developed countries.

Such a development can, at the present stage, be considered only as hypothetical, and entirely subject to the decisions on future policy taken by the competent bodies of INGEBA. However, it is preferable to discuss the hypothetical role an expanded INGEBA could play in this field rather than to consider the establishment of an entirely new and separate international co-operative banking system.

If INGEBA were to function as an international co-operative development bank, many of its present facilities would need to be strengthened and others added. The most effective way of accomplishing this would probably be the creation in INGEBA of a special Development Division.

The appropriate size and organizational structure for this department would of course depend on the amount of capital at its disposal and the rate at which the demand for this kind of service might be expected to grow. The hope would be that once it had assumed its new functions INGEBA would gradually become a centre for co-operative financing all over the world. Considering the specific problems of co-operative development financing it would seem necessary that the new Development Division should comprise, in addition to the actual *Loan Department*, two other units: a *Consultancy Department* and a *Guarantee Department*.

#### **INGEBA Relations with Financial and Technical "Substructures"**

The basic principle is that INGEBA would lend to apex co-operative organizations at the national level (co-operative banks where they exist, or unions or federations). These organizations in turn would re-lend to specific co-operative projects, or groups of projects involving sums too small to justify separate negotiations with INGEBA. By the same token it would in most cases be the national co-operative bank or other apex organization which would have identified the prospective

### Section III An International Co-operative Financing Institution

project in the first place, assisted the relevant societies in preparing the loan applications, and collaborated with INGEBA in preparing the required feasibility survey and—if applicable—in obtaining government support for the project.

Eventually INGEBA would thus develop into an international clearing house of co-operative financial institutions throughout the world. Ideally, a central co-operative financial institution should be designated in each country as the national link with the INGEBA. In the developing countries this institution would usually have to work closely with national co-operative servicing centres set up to channel advice and technical assistance to the co-operative movement in that country.

National co-operative banks or related financial institutions could, in turn, serve as clearing houses for the national co-operative movements. They would become shareholders of INGEBA, deposit—within certain limits—a part of their reserves and other surplus funds with INGEBA and act as INGEBA agents in their working relations with national co-operative servicing centres. In certain cases, it might eventually be possible for INGEBA to authorize an affiliated national co-operative bank to process, approve and supervise INGEBA loans below a prescribed credit ceiling.

As stated earlier, if INGEBA is to function as a development bank for co-operatives it would seem necessary to create two new departments—*Consultancy Department* and *Guarantee Department*—working close to the *Loan Department*.

The *Consultancy Department* of INGEBA Development Division would examine proposals for loans and credits from different parts of the world and provide technical advice on feasibility of the actual projects under consideration. This service would be available in connection with loan requests made both directly to INGEBA and to local INGEBA agents or correspondents which did not themselves have the necessary consultancy know-how. Where appropriate the Consultancy Department would consult with the

International Co-operative Alliance on certain aspects of proposals and projects.

In addition the Consultancy Department would help in preparing specific loan applications, and in obtaining government approval for co-operative projects. Finally it might on occasion provide technical advice and assistance for the implementation of projects, for example in the recruitment of technical experts, advice on specific problems in purchasing, marketing, book-keeping, management training, etc.

The function of the *Guarantee Department* would be to encourage the international co-operative movement and related or “friendly” institutions to provide guarantees to co-operative enterprises in developing countries not able themselves to offer acceptable securities for loans in spite of the proven feasibility of their projects.

INGEBA could act as a focal point for collecting from the interested organizations guarantee offers in the form of legally binding registered letters indicating a specified ceiling of guarantees which they would be prepared to underwrite. A small percentage of the guaranteed amount might actually be paid in and held in a special account by INGEBA on behalf of the guarantors.

The guarantee fund constituted in this way could be used to cover loans to co-operative enterprises from INGEBA, or from other international lending institutions, from national development banks or corporations, from public sources, from private banks or from the capital market.

There is reason to believe that by setting up international co-operative financing, technical advisory and guarantee institutions of the kind outlined above, the promotion of co-operatives in developing countries could be given an unprecedented impetus. The technical expertise and potential investment funds available throughout the international co-operative movement have scarcely been tapped as yet, and the devising of institutional machinery for mobilizing these resources and directing them to where they are most needed would almost certainly have startling results.

At the same time, however, it must be

acknowledged that by far the major sources of capital, of skills and of technical know-how for the developing world are outside the co-operative movement. The bulk of capital

aid and of technical assistance is dispensed by UN organizations including the World Bank group, by regional development banks and by governments.

## Pre-requisites for International Collaboration

by D. GRETHE

*Managing Director, INGEBA*

Several pre-requisites have to be fulfilled before enterprises can engage in international activity:

1. The Governments of States taking part in international trade must authorize and even foster the free traffic of goods, services, money and capital.
2. As well as the will for international economic collaboration there must also be mutual trust. Political stability is as much part of this as economic soundness. Moreover, in the interest of all concerned, transfers and monetary risks are to be kept low. It is a matter of course that certainty of justice must also be guaranteed to all partners in every country.
3. Enterprises engaged in international activities must have experts available with the knowledge necessary for the carrying out of business beyond the country's boundaries for the good of all parties involved.

I take it for granted that, in the industrial countries, a free market economy—closely connected with social factors—is better able to cover the economic needs of the population than planning machinery would be, no matter how well developed. This opinion is borne out by the development of world trade in the last 25 years. State intervention is bound to involve a curtailment of such a market mechanism. In spite of this fact, the Governments of several industrial States have lately considered it their duty to interfere with this free market mechanism; by which I mean that there have been disturbances (marked worldwide price increases, excessive rates of interest and currency problems, among

others) merely because some of those engaged in world trade have not obeyed the most elementary rules of economic co-existence and, moreover, have acted without taking into account the interests of the populations of other countries.

The economic capacity of the economy in individual countries has often been over-taxed by excessive individual demands. Over-ambitious development plans on the part of Governments, excessive striving for profits on the part of firms and the ensuing demands from the trade unions have also helped to disturb the economic balance. Now the Governments of the various countries have taken measures to tackle the problems ensuing in their countries, but it is doubtful whether these national and partial measures will be as successful as would be desirable in our world with its division of labour, in which one country is economically dependent on the others. The present development is all the more regrettable as we had by now hoped that such national restrictions were a thing of the past.

The time has come for us to formulate common norms and value judgments for the economic co-existence of nations. Developing a common basic understanding of the economic behaviour of all engaged in world trade is the only thing which can contribute to maintaining the international traffic of goods, services, money and capital, so as to enable the population of the whole world to enjoy an optimum supply of goods and services.

Such common basic understanding will not only consist of an agreement on new exchange-rate relations, the future significance of gold as a leading currency and of special

### Section III Pre-requisites for International Collaboration

drawing rights. It is also necessary to force Governments to obey these new rules and to get them to ensure that internal economic conditions are created as a pre-requisite.

In this new order of things the populations of some countries will have to forego advantages which they have gained in the course of time. Other countries will have new opportunities for improving the economic and social conditions of their citizens. It is to be hoped that the Governments of these countries will take advantage of such a great opportunity. Success will mostly depend on whether it is possible to reinforce the population's will to self-help and to effectively foster Co-operatives.

For us all to be prepared to collaborate with a view to this new order of things is the only way to lastingly consolidating international economic co-operation, in peace and for the good of all. I believe that we Co-operative members are especially called upon to collaborate with our Co-operative Movement—but also with the political parties of our countries and with other organizations—in order to achieve this aim. We Co-operative members must, more than anyone else, attach considerable importance to the development of the 3rd or 4th world. We are all prepared to take part, within our possibilities, in the economic and social development of these countries.

We are unreservedly in favour of the right to self-determination of all nations. But the Governments and citizens of the young countries should bring about their political and economic development by means of democratic decisions and settle their international differences round the conference table, because they, more than anyone else, have the great opportunity to set new trends for a worldwide and general peace policy. It is not necessary for them to imitate the bloody wars of religion or for power which have been fought in the industrial countries. They do not even need to bring about atomic explosions. A steady peace policy on the part of the young

States whose way of thinking is often not restricted by traditions would prevent much human suffering, set new standards for the feasible co-existence of nations and create the basis for further economic and social development.

Such a development would be bound to have positive effects on international trade also. A peaceful and continuous economic and social development fosters international co-existence; this is bound to reduce the risks of rate of exchange and transfers and to increase the certainty of justice for nationals and foreigners in all countries. Especially we Co-operative members, representing, as we do, a large part of the population of our respective countries, are called upon to collaborate in this development.

In the course of my daily work in the International Co-operative Bank in Basle I have gathered the impression that not all opportunities for international co-operation are being taken. This is probably the result of the fact that many Co-operatives do not have personnel able to handle international business quickly, unhesitatingly and in an orderly manner. Moreover, the decision process takes far too long in many Co-operatives. In my opinion, the only remedy for this state of affairs consists in giving more young co-operators in Co-operatives the opportunity to train for conducting international business.

But for this purpose those Co-operatives which are already engaged on the international level must make appropriate training places available. That will be the only way to obtain collaborators coming from Co-operative circles who have the knowledge required for effective international business. But, as well as giving them technical knowledge and the opportunity to gather experience, the personal contacts which develop during the training are also necessary and desirable for subsequent collaboration. Therefore all Co-operatives which already do international work should make appropriate training places available to their friends from other Co-operatives.



# Regional Co-operative Development Banks

by M. V. MADANE

*Joint-Director (TA & T), ICA Regional Office & Education Centre for South-East Asia,  
New Delhi (India)*

The ICA Council for South-East Asia has been discussing for a number of years a proposal to establish an Asian Co-operative Development Bank (ACDB) to assist the regional movements in trade and development. The proposal was first discussed at the meeting of the Council held at Seoul in the Republic of Korea in May 1970 on the basis of a paper prepared by the Regional Office Secretariat in New Delhi.

The paper drew attention to the ever-widening gap between the resources required for co-operative development in the Region and the external aid available for such development. While on the one hand, the demand for resources for development projects in the Region was on the increase, on the other hand the flow of technical and financial aid from the advanced co-operative movements was on the decline. The paper, therefore, urged that it was necessary for the co-operative movements in the Region to evolve an alternative channel for securing finance for trade and development.

The Council made the following recommendation:

“The suggestion to set up an Asian Co-operative Development Bank detailed in the agenda note on this item was examined and discussed at great length. All the members present were of the view that such a bank was a great need in the region for the development and trade activities of the movements, and that the proposal was a timely one.

“The consensus in the meeting was that the ratio of assistance from advanced countries as well as multilateral sources to developing countries is decreasing from year to year. The co-operatives in the region are finding it difficult to obtain foreign assistance for their projects. It was therefore felt that if such an agency were established, the movements in the Region would be able to participate in its equity capital as such

participation will be an investment for the long-term development of the movements themselves.”

The Regional Office, thereafter, made further studies concerning the ACDB proposal. The Regional Office also requested the Central Co-operative Bank for Agriculture and Forestry of Japan, to make a detailed examination of some of the technical problems involved. The report given by the Japanese expert was presented to the ICA Advisory Council at its meeting held in Melbourne. The following were some of the main points of the decision taken by the Advisory Council:

- (a) The Council was unanimous that the Bank should be a co-operative bank owned and financed entirely by co-operatives.
- (b) The bank should normally function through local co-operatives in the countries of the region. The bank should not compete with the local co-operative banks. It should concentrate on international monetary transactions and matters relating to technical assistance, trade and development finance.
- (c) The Council was of the view that an independent co-operative bank was necessary due to the low priority given by the governments in the Region for securing external aid to projects sponsored by co-operatives. The proposed bank, therefore, could provide greater support to co-operative projects than is available at present from various international financing agencies.
- (d) On the question of establishing an International Guarantee Fund, the Council felt that guarantees are dependent on the priorities of the governments for obtaining external assistance and the priorities of central banks would also depend on government policies. It is, however, possible that in

### Section III Regional Co-operative Development Banks

some countries, where the problem of foreign exchange is not very acute, a Guarantee Fund could be raised to support borrowings from external sources.

- (e) To make optimum use of the resources that may be raised by the Bank, a system of linking the loaning business of the bank to supply, marketing, extension, training and other activities of the co-operatives will have to be evolved.

The Council asked the Regional Office to continue to make further studies and suggested that the Regional Office should seek assistance from the Banking Committee of the ICA and the International Co-operative Bank in Basle.

Between the meetings of the ICA Advisory Council held in Australia and the one held in Chiangmai (Thailand) in November 1972, the proposal was further discussed by a representative of the ICA Regional Office with officials of the International Co-operative Bank and the ICA Banking Committee. The reactions of the above officials have been very encouraging.

Co-operatives in Latin America are also discussing a proposal for the establishment of an Inter-American co-operative finance system for that Region. This development indicates the general trend in regional co-operation all over the world. So far, three expert groups have studied the proposal for an Inter-American co-operative finance system, and the latest study has given a very favourable recommendation on the subject. It gives the following four features which it considers of fundamental significance:

- (1) Remarkable improvement both with regard to availability of funds and new institutions, thereby proving the feasibility and desirability of the system.
- (2) Sufficient experience, technical and administrative capacity actually existing at executive and management level in the conduct of co-operative finance concerns.
- (3) Operation of mechanisms which not only permit self-capitalization of the

system, but also the generalization and channelling of other resources, that have made it possible to grant loans amounting to four times the capital, on short-, medium- and long-term.

- (4) Existence of sufficient co-operative income producing projects of co-operative investment requiring specialized financing.

Another important justification for the creation of an agency of this nature, as given in the Study is that "the presence of a regional finance organization acting in conjunction with the national institutions can make it possible to take steps which would otherwise be impracticable as, for instance, the transfer of short-term disposable funds, the preparation of similar investment projects for the different areas, thus capitalizing greater experience, or else establishing additional projects intended to assure mutual consolidation, and other steps, all of which would permit more efficient use of resources available."

The four features mentioned in the Latin American Study are equally relevant to the present situation in South-East Asia. In our Region also, there has been remarkable improvement both with regard to availability of funds and building up of institutions. There is sufficient experience both in the technical and administrative fields at the executive and management levels. There exists a system which permits self-capitalization and granting of loans several times the owned funds of the co-operatives. And we have in the Region sufficient co-operative projects which need specialized financing.

In the Region there are a number of co-operative banking, marketing and wholesale institutions which should be in a position to support an Asian Co-operative Banking structure. Quite a number of these agencies are financially strong and have developed, over a number of years, substantial reserves part of which can be utilized for investment in this Institution.

The proposal for the creation of such a Bank was discussed at the Regional Seminar on Co-operative Credit with Special Reference to Japan held at Tokyo. The Seminar made

the following recommendation on the subject:

“The Seminar discussed the possibility of establishing an Asian Co-operative Development Bank (ACDB) for providing finance for co-operative development projects and for international co-operative trade. The Seminar felt that the proposal was in principle a good one and needed to be given a more concrete shape. The Seminar suggested that the feasibility of establishing the ACDB should be carefully studied with regard to availability of equity capital from co-operative organizations in the Region, securing loan funds from the financing institutions, and developing arrangements whereby technical scrutiny of the co-operative projects could be made. The Seminar was of the view that it would be necessary to secure approval of the proposal by the governments of those countries from which co-operative organizations wanted to become members of the ACDB. The Seminar suggested that the bank should begin with a small capital base and with activities directed to financing export-import trade as well as for development projects and gradually increase its financial and operational strength. The co-operative

movements from countries outside the Region should be invited to participate in the equity capital. The Seminar also suggested that the proposed bank should develop close co-ordination with the International Co-operative Bank (INGEBA) for securing adequate working capital.”

The Second Asian Conference on Agricultural Credit and Co-operatives (ACACC) held in Tokyo also passed a favourable resolution on the ACDB proposal.

All the developments reviewed so far lead to the conclusion that the time is now opportune for the creation of an Asian Co-operative Development Bank (ACDB) for the South-East Asian Region. As credit is the basis of all development activity, it is essential that greater attention be given to the creation of this agency which can assure us of the needed funds for development.

The Bank, if established, can create a basis for launching several other projects for economic development. Also, as in the case of Asian Development Bank, this Bank can invite developed co-operative movements to participate in its equity capital and contribute to its special funds created for granting concessional finance.

## **ACOSCA'S Problems and Challenges**

by **B. MUKONG**

*President, African Co-operative Savings & Credit Association (ACOSCA)*

### **I. HISTORY AND SERVICES**

The African Co-operative Savings and Credit Association (ACOSCA) was organized by seven national credit union associations with the purpose of providing those services on an Africa-wide basis which could not be individually provided by national credit union associations. It is governed by a Board of Directors, elected from delegates of the sixteen national associations in Sub-Sahara Africa presently affiliated to ACOSCA. The Board consists of five people: a chairman elected at large and representatives from each of the four regions within Africa where ACOSCA has national association affiliates.

The Board of Directors meets twice yearly. Daily management is vested in a general manager who heads staff and reports to the Board of Directors. ACOSCA is registered in Kenya under the Friendly Societies Act.

Its first objective is to propagate the philosophy, purpose and organization of credit unions throughout Africa in conjunction with its national association affiliates. ACOSCA's principal efforts in this area are devoted to those countries which as of yet do not have credit unions in existence. To further completion of this objective, ACOSCA trains interested people from countries which do not have credit unions in its training centres and

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sponsors periodic credit union conferences, at which individuals and government officials who may be interested in the promotion and organization of credit unions are invited to participate.

Its second major area of concern is to support its affiliated national associations so that they in turn can provide those services to their primary societies which will lead to more effective credit unions in each country. ACOSCA services to its national association affiliates are concentrated in three areas:

### 1. *Project assistance to national associations*

The majority of national associations affiliated to ACOSCA have been organized within the past 10 years. Their internal support depends upon dues and other charges paid by their primary credit union affiliates. However, since in most cases these primary societies are also just beginning, they do not have sufficient income, which primarily depends upon interest earned from loans outstanding, to fully support their national associations which are receiving widespread requests for local courses, field extension services and printed material from existing credit unions and those groups desiring to form credit unions. To meet these needs, ACOSCA maintains relationships with over 20 co-operative and development agencies in Europe and North America which are interested in credit union development as a means for providing inexpensive credit to low income groups through savings mobilized at the community level.

In this way, ACOSCA is able to perform a service to its affiliates as a whole which, individually, they would not have the resources to carry out. It is also convenient for development agencies since they are dealing only with one organization for Africa, rather than 16 national associations, during the project inquiries stage.

### 2. *ACOSCA's second major area of service is sponsoring regional educational activities*

Since techniques of accounting, lending policies and administration are relatively new in many countries, ACOSCA in co-operation with Canadian and US agencies has established five regional training centres consisting

of a two-man team in each. Each centre serves four or five countries. In these training centres, national association field extension officers, government co-operative officers, credit union administrators and other interested individuals can receive basic training through classroom work and field trips in credit union management courses. By operating initially on a regional basis serving several countries, ACOSCA, during its initial period has been able to ensure trained personnel for 15 or 16 countries.

### 3. *ACOSCA's third major service area is in the field of fidelity bonding and life insurance services*

Members' confidence in their credit unions is dependent upon their conviction that their funds are protected against the risks of embezzlement and theft. In most African countries, fidelity bonding is not at present available to credit union personnel and Board members. To provide this protection as well as life insurance on members' savings and loans outstanding, ACOSCA has entered into an agency agreement with a large credit union insurance organization with worldwide operations. ACOSCA will offer these insurance services in each country, where requested, to primary societies through its national association affiliates.

## II. PROBLEMS AND CHALLENGES

In adopting a credit union development strategy which calls for building strong national service associations which must be financially self-supporting if they are, in the long run, to fulfil their service potential, ACOSCA postpones its own chances of short-term financial self-sufficiency. The reason for this is the limited capacity of the existing primary credit unions, with the income available to them, to support both their national association and ACOSCA.

ACOSCA dues income, which it receives from its national associations, amounts to less than 10 per cent of its annual budget. The balance comes from various co-operative and development agencies. ACOSCA believes that over a 10-year period it will be able to greatly reduce or completely eliminate this

dependence upon external assistance for the following reasons:

1. As the African credit union movement grows, ACOSCA dues income will increase correspondingly. Its dues schedule is based upon the total savings of the primary societies affiliated to each national association. In 1972, savings in these primary societies increased from US\$12.5 million to US\$15.5 million or approximately 25 per cent. ACOSCA believes that this growth potential will provide it with an increasingly large dues base during the next decade.
2. ACOSCA hopes to create new sources of revenue. Its insurance division is a beginning in this direction.
3. ACOSCA also desires to initiate inter-lending services to its affiliates as the World Council of Credit Unions lending programmes come into existence. ACOSCA looks to these programmes to contribute towards the diversification of its African income sources in the years ahead.

Conscious of the important role rural credit unions can play in serving small farmers, ACOSCA, in co-operation with several of its national affiliates and a North American development agency, intends to initiate in 1974 several pilot projects in Directed Agricultural Production Credit (DAPC). The purpose of the DAPC programme is to increase the small farmers' income and production through utilization of modern techniques and supplies now available. Rural credit unions in many parts of Africa have

already demonstrated their capacity to mobilize savings and to provide us with the experience to carry us several steps forward in this direction. Specifically, this pilot project will give ACOSCA and its national associations experience in the use of external lending capital by the primary societies and the co-ordination of non-credit union service inputs such as agricultural technical assistance, farm supplies and marketing assistance. This structural development has already begun in several of ACOSCA's national affiliates where they have developed interlending departments which are receiving deposits and making loans to member credit unions.

The purpose and function of ACOSCA is to respond to the felt and expressed needs of its national associations in order that each with full autonomy may carry out its own national credit union development programme. ACOSCA cannot have policies that could interfere with the autonomy, or national sovereignty of its member associations. ACOSCA responds to each national request in accordance with the policy of each association. Hence, ACOSCA may use different methods in different countries or give different priorities in different countries if this is in accordance with that country's wishes.

The limited experience of the past five years has proved that, both in the extension of the credit union movement and in the implementation of sound techniques and services, a continental organization working in close partnership with national associations and co-operative development agencies can play a vital role in making the ideals of the credit union movement a more effective reality for the peoples of Africa.

## **ASIA: Constitution and Development of ACCU**

by **ANDREW SO KWOK WING**

*President, Asian Confederation of Credit Unions*

Most Credit Unions in Asia, except in the case of the Philippines where the first credit union was formed in 1938, are not more than 14 years old. They were started in most cases by religious leaders, to meet the pressing need of

a changing Asian Society for progress and development. The statistics overleaf give a picture of the Asian Credit Union Movement.

In spite of the fact that many people think that the lack of capital hindered devel-

### Section III Constitution and Development of ACCU

<i>Member Countries</i>	<i>No. of CUs</i>	<i>CU Members</i>	<i>Remarks</i>
Taiwan	278	28,962	As of 31st December 1973
Hong Kong	50	7,842	As of 31st December 1973
Indonesia	72	5,131	As of 31st December 1973
Japan	30	4,104	As of 31st December 1973
Korea	792	206,439	As of 31st December 1973
Malaysia	8	450	As of 31st December 1972
Philippines	2,183	126,029	As of 1970
Thailand	60	5,048	As of 31st December 1973
Vietnam	36	16,549	As of 31st December 1972
Laos	7	1,451	As of February 1974
Khmer Republic	5	560	As of 31st December 1973

opment efforts, it is worth a mention that credit unions in Asia started with no seed capital from outside. Members were taught to save regularly into a common fund and participate in a credit union as a means of solving their problems together. They experienced that by uniting their efforts with other members in their credit unions, they obtained greater individual benefits than if they had tried to do it alone.

Funding agencies and Foundations helped the pioneers of credit unions to set up small voluntary credit union centres. After a few credit unions were formed, the credit unions gathered together and formed their own leagues or federations to further the growth of the credit union movement. Many credit unions in our region started with not much support from Government. They operated for quite some time without any legislation to regulate or protect them. It was only in 1968 that a Credit Unions Ordinance was passed by the Hong Kong Legislative Council for the Credit Unions in Hong Kong, and in August 1972 Korea Credit Unions obtained their Credit Union Law, whereas the credit unions in other Asian countries are still "pending legislation", or operating under Co-operative or Societies Laws.

What Asia needs is regional economic co-operation and racial integration. Credit Unions which are organizations of people at grassroot levels have a role to play. But when it came to confederating, it was not easy. Asia is composed of many countries with striking diversity in cultural, linguistic, political, religious, and historical backgrounds.

It was not until April 1971 when the Asian Credit Union leaders gathered again for the 4th Asian Regional Credit Union Training Conference in Seoul, Korea, that the Asian Confederation of Credit Unions was formally organized by the Credit Union Organizations of Asia: Korea, Taiwan, Japan, Thailand, Philippines, Hong Kong, Vietnam, Malaysia, Indonesia. The Confederation's headquarters are in the Korea Credit Union League office, with a general manager and an office secretary whose salaries are paid by a subsidy to the Confederation from the World Council of Credit Unions. The ACCU Board of Directors, elected by members of ACCU, is the generator of all ACCU activity programmes. So far, five Board Meetings have been held in Hong Kong and Taipei, financed by Asia Foundation.

In the first year of its operation, ACCU worked out a five-year development plan, and submitted it to funding agencies for financial aid for its implementation. The following meetings were carried out under this plan; other training conferences and meetings are still ongoing:

1. First Asian Regional Leagues' Managers Training Conference—held in September 1972 in Jakarta, Indonesia, financed by Konrad Adenauer Foundation.
2. Third Asian Regional Credit Union Leaders Training Conference and First General Meeting of the Asian Confederation of Credit Unions together with the Meeting of the Ecumenical Planning Committee—held in the Uni-

versity of Hong Kong, in September 1973. This Meeting had over 100 participants from credit unions, Government Departments and people of all faiths, Christian, Moslem, Buddhist, etc.

3. National Credit Union League Fieldmen Training Programme—serving League Fieldmen of Philippines, Taiwan Hong Kong, Japan, and Korea was held in November 1973 in Hong Kong, Korea and Taiwan respectively.

The Board of Directors has also authorized various projects, as follows:

1. *Research Project.* At the March 1973 Board Meeting held in Taipei, research experts from Asia were invited by ACCU to study the feasibility of ACCU's carrying out a research project to study credit unions' role in the development of socio-economic life in Asia. As a result a research committee was set up with Professor Luke Jincheng Im (Korea), Professor Shizuro Mori (Japan), and Professor Su Sheng Yin (Taiwan) as members. A detailed plan and budget of the research has been planned and efforts are being made to secure funds for its implementation.

2. *Film Project.* After a report from the League in Taiwan which is responsible for the Film Project, it was decided that with the grant of US\$8,000 from Asia Foundation and US\$6,000 from Worldwide Foundation for credit unions, work should begin in May for the production of part of the Film and meanwhile, we should make special effort to secure the remaining US\$8,800 for the Project as budgeted.

3. *Cambodian Development.* It was also

decided that ACCU should help as much as possible in the development of credit unions in Cambodia. It was encouraging to know that World Wide Foundation for Credit Unions has already decided to support the credit union movement for two years in Cambodia and will provide the expenses of setting up and promotion of the credit union organization.

4. *Training Conference in Legislation.* In twelve countries in Asia the credit union movement is growing; however only three countries have credit union laws. This indicates that efforts should be made to promote legislation. The participants for the suggested Training Conference on Legislation will consist of a team from each ACCU member country comprising a Government Official, a lawyer and a credit union leader. The Conference is scheduled for 1975 in Seoul, Korea.

5. *The League Service Technical Assistance Programme.* A team consisting of two or three technicians will visit and spend two weeks in each League to help develop services such as auditing, Central Credit Union, stabilization service, etc.

6. *League Staff Exchange Programme* involving the transfer of League staff from one country to another for short periods.

The case which I have just presented you shows the deep conviction of the Leaders of the Credit Union movement in Asia that Socio-Economic Development in which credit unions have an important role to play, will never be the result of one religion, of one organization, not even of Government but will be the result only of the co-operation of all men of good will, from every religion and from every organization.

## Organization and Function of COLAC

by **B. ORTIZ**  
*President*

The Latin American Confederation of Credit Unions (COLAC) was founded in August 1970, after two years of study, by delegates representing 14 Latin American credit union federations.

### Organization and Structure

COLAC was organized as the result of a decision on the part of the Latin American credit union movement to have its own confederation. During the period of its formation

### Section III Organisation and Function of COLAC

COLAC received a great deal of help and backing from CUNA International, partly as a result of that institution's desire to contribute to the formation of regional credit union integrational organizations. For this reason, in 1971 the administration of CUNA's Latin American Regional Office (LARO) was placed under the joint control of a representative of CUNA and the manager of COLAC. Later on, the total administration of this office, as well as the furniture and equipment purchased by LARO during the 8 years of its contract with AID were transferred to COLAC.

During this same period a latinization process was initiated which focused primarily on the adaptation of the co-operative philosophy and doctrine to the realities of Latin America, giving it a slightly different orientation from that of the credit unions of North America.

At the present time COLAC operates as an international co-operative development institution and as a regional financing organization. In accordance with its bylaws COLAC has broad powers to contract loans, discount loan documents, issue bonds, give guarantees, make loans, and in general, carry out all those financial activities which its affiliated federations require for their growth and development.

COLAC is directed by a general assembly of delegates representing its affiliated federations. They meet once a year to elect a board of directors from among their number whose responsibility it is to administer the Confederation. The Board's specific duties include naming the manager, establishing overall policies, appointing the members to the credit committee and to whichever other committees it may be necessary to form, and in general overseeing the proper execution of the Confederation's operations.

As regards COLAC's sources of income, one of these consists of the annual dues paid by its member federations. These members also supply share capital to strengthen the Confederation's financial structure so that it can develop those services needed by its members. In order to increase the funds which it has available to loan to its affiliates, COLAC has carried out promotions among organiza-

tions which have similar goals, such as CUNA Mutual Insurance Society of the United States, which has loaned COLAC a half million dollars.

In order to carry out its technical assistance activity COLAC is at present receiving considerable budgetary support from USAID, and during the next few years, until such time as the income generated by its finance services permit it to reach its economic break-even point, it will continue to require support in this area.

As regards its technical assistance activities, the Confederation directs these towards improving the technical capacity of its member federations' programmes in the following areas: finance, production credit, organization development, membership and saving promotion, data collection and use, and insurance. COLAC carries out all its technical assistance activities in close co-ordination with its financing service in order to ensure the proper use and recuperation of the loans which it makes to its affiliates.

The fundamental objective of the financing and technical assistance offered by COLAC is to help the federations and their affiliated co-operatives to organize and expand their production credit programmes so that these can have a greater impact on improving the net income of the small farmers who are credit union members.

#### **COLAC as a Regional Finance Institution**

In its three years of existence COLAC has carried out an intensive effort to comply with one of the primary objectives of its founders: that of being a regional finance organization for the Latin American credit union movement.

During this period it has analyzed the external credit needs of its affiliated federations, defined the policies and procedures for its own finance operations, recruited the necessary technical personnel and initiated efforts to obtain loan funds from various international institutions as well as from within the Latin American credit union movement.

With the relatively small amount of funds that it has been able to mobilize to date



COLAC, in the last two years, has made loans totalling \$585,200 to six of its affiliated federations. All of these loans were destined either for use in agricultural production credit programmes or for the development of agricultural supply departments within member federations.

In its credit policies COLAC has established a preference for projects which are orientated to agricultural and artisan production and small industry projects in the rural areas. It has adopted this policy because it understands that external resources should be utilized in productive endeavours, and not to stimulate consumption which would only further aggravate the problem of inflation which is so much with us today.

In relation to its attempts to obtain loan funds for its finance service, COLAC has been in contact with several international organizations such as USAID, the Inter-American Foundation, the United Nations Development Programme, the IDB, the Canadian International Development Agency (CIDA), the United States Central for Credit Unions and CUNA Mutual. To date the contacts with CUNA Mutual have resulted in a loan of \$500,000.

It appears that the efforts made as regards the Inter-American Foundation, the UN Development Programme and the co-operative to co-operative lending programme which is being co-sponsored by the US

Central and COLAC have a very good chance of having positive results in 1974. We hope that our successes in these negotiations will serve as a stimulus to other international organizations to have confidence in our ability to manage funds and in our ability to help the underprivileged of our region of the world.

In contrast, however, it seems that our attempts to obtain loan funds through such multinational and bilateral agencies as IDB and CIDA will require more time. At present their operating policies do not take into account dealings with private-sector regional financing organizations.

Our experience to date indicates that COLAC still has an enormous job to do in order to convince many of the international financing institutions that they can safely make loans to the Confederation for use in its lending programmes.

The novelty of COLAC as an intermediary regional credit institution and the lack of knowledge concerning the way in which our system functions are keeping our efforts to locate supplemental funds from materializing more rapidly. Nevertheless we are convinced that we will achieve an effective collaboration with the various international development organizations and private financial entities because COLAC is a logical and competent conduit for the type of development financing which it is promoting.



## SECTION IV

# Some National and Regional Achievements

## CANADA: Co-operation and Government

by EARLE L. ALLEN

*President, National Association of Canadian Credit Unions*

The co-operative movement in Canada is in the fortunate position of being a democratic movement dealing with a democratic government in a free society. It forms a large and responsible segment of the Canadian economy on behalf of members at all levels and in all provinces of Canada.

Nationally, the movement is represented by four major co-operative organizations: the Co-operative Union of Canada, le Conseil Canadien de la Co-opération, the National Association of Canadian Credit Unions, and la Fédération de Québec des Caisses Populaires Desjardins. Each is an association of co-operatives with responsibilities to its member organizations. All co-operate with one another in pursuit of co-operative objectives common to all and in the promotion and the defence of co-operative member interests in times of duress or political necessity.

The Co-operative Union of Canada represents English speaking co-operatives in the wholesale marketing, insurance, credit and finance, fisheries, manufacturing, consumers, education, and community areas. The CUC and the CCC are two Canadian members of the International Co-operative Alliance, the world federation of co-operatives.

The National Association of Canadian Credit Unions is a member of the CUC. NACCU is also the Canadian confederation member of the World Council of Credit Unions, Inc., the non-profit, dues-supported organization serving the International Co-operative Thrift and Credit Movement.

Canada accounts for 4,184 credit unions and caisses in its ten provinces, the Yukon and the Northwest Territories. Their membership totals 7 million persons, approximately 30 per cent of the Canadian population. Members' savings in their credit unions and caisses total \$8 billion. Loans outstanding total \$5.4 billion, and assets amount to \$8.5 billion.

The National Association of Canadian Credit Unions represents Canadians in all provinces through its ten provincial member organizations (leagues, credit societies, federations, centrals), one from each province. Its primary functions include federal government representation and national co-ordination of member organization activities.

Following restructuring of the entire credit union movement in 1970, NACCU became the official confederation of credit unions for Canada beginning 1st January 1971, as Canadian member of the World Council of Credit Unions.

The National Association is responsible for constant contact with federal government ministries and Parliament regarding legislation affecting credit unions in particular and co-operatives in general. It also co-ordinates the distribution of funds collected for credit union development work in overseas countries through the World Council of Credit Unions and the Canadian International Development Agency of the Canadian government. NACCU liaison work involves contact and co-operation with other national organizations such as the Co-operative Union of

## Section IV CANADA: Co-operation and Government

Canada, the Canadian Labour Congress, and other national confederations of the World Council. The National Association is responsible for the co-ordination of credit union news distribution, public relations, national advertising, education and training. It also functions as a central financial facility for member organizations for the investment of funds through the Canadian Co-operative Credit Society, Limited, which was organized to serve provincial credit societies and other co-operatives operating on an inter-provincial basis.

Internationally, NACCU recognizes its responsibility to the development of credit unions on a world-wide basis by strongly supporting the World Council of Credit Unions, Inc. In order to maximize the financial contributions of credit union members of Canada, the organization has established rapport and reputation with the Canadian International Development Agency and has succeeded in arranging several overseas aid programmes with that Agency. Under contract with the Agency, NACCU has become responsible for the operation of four credit union training centres in various nations of Africa at present, and is also working to assist the United Nations' Committee for the Promotion of Aid to Co-operatives (COPAC) through a proposed five-year project in Korea.

Nationally, the major objectives of the National Association of Canadian Credit Unions are the development of a national financial facility for co-operatives, credit unions and their members, and a positive influence on the formulation of government legislation at the federal level. The challenge and strength of the movement derives from the various regional needs of its member organizations. These include the needs of wheat farmers in Canada's prairie region, of urban workers in the industrialized middle section of Canada, and members and individual businessmen, e.g. in the logging industry of the

west coast and the fishing industry of the east coast.

The emphasis placed upon federal legislation by the National Association of Canadian Credit Unions and its counterparts in Canada, has arisen in recent times from the difficult position in which co-operatives in Canada were placed by government in its sweeping proposals on tax reform. In 1962 the appointment of a Royal Commission on Taxation set the stage for detailed discussions by co-operatives and credit unions, culminating in representation by the Movement for major revisions. Tax revisions proposed however in 1971, were considered unpalatable and unfair by the Co-operative Movement and the Movement determined to inform the government the facts of its case.

The result of the concerted efforts of all co-operative organizations in Canada was an eventual taxation law which did not penalize co-operatives and their members. In addition, the Speech from the Throne of the Canadian Parliament at the beginning of 1973 promised assistance to co-operatives and credit unions. The Co-operative Movement has consequently moved from an unwitting position of extreme peril less than two years ago to a position of planning positive action on behalf of co-operative members so that such an emergency will not recur and also so that co-operative organizations may take their rightful place on behalf of their Canadian members as economic advisors to government.

Co-operatives in Canada have been regarded by the federal government as primarily provincial institutions under provincial jurisdiction. Only in post-war years was the idea of federal co-operative legislation revised, with the passage in 1970 of the Canada Co-operative Credit Associations Act. This was a major achievement for the co-operative movement in that the Act provides a proper statutory framework for most federal type co-operatives and it may also be seen as a parliamentary mark of respect for the status of co-operatives in Canada.

# CANADA: Structure of Desjardins People's Savings Banks Movement

by P. E. CHARRON

*Joint President & General Secretary,  
La Fédération de Québec des Caisses Populaires Desjardins*

The People's Savings Banks have contributed to the social and economic betterment of our population. . . . The People's Savings Bank is accessible to all those residing in its area of operations. All its citizens are invited to become members. It must be a factor of social cohesion among all social classes. It enables citizens who are economically better off to help, through the pooling of savings, the less fortunate by making credit available to them. It gives preference to small loans so as to help, in the distribution of credit, as many members as possible.

Only members can deposit their savings in the bank and only members can borrow from it.

At their general assembly, the members choose from among themselves, and according to the democratic principle of "one man, one vote", those to whom they entrust the power of extending loans to members and ensuring their repayment; those to whom they entrust the power of ensuring that administrators and credit commissioners fulfil their duties faithfully.

The general assembly of members is held every year within three months of the end of their savings bank's financial year. The administrators, credit commissioners and supervising counsellors give the members an account of their mandate. The members present study the annual summary of their people's savings bank's operations and the financial report. The accuracy and veracity of these documents are certified by professional inspectors appointed under the authority of the provincial Federation.

The Desjardins People's Savings Banks are grouped together at regional level; they have set up in the territory of Quebec ten regional unions which operate, among other services, a financial department for financial consolidation and compensation of payment orders with other Canadian financial bodies.

The regional unions supervise the operations of their affiliated banks and assist their administrators, credit commissioners, supervising counsellors, upon request, in the fulfilment of their duties.

The existing ten regional unions are grouped on a provincial basis with two institutions dealing with life assurance, two with property insurance, and a trust company which takes care of the administration of individuals' and societies' property: together they form the Quebec Federation of the Desjardins People's Savings Banks (Fédération de Québec des Caisses Populaires Desjardins).

The above-mentioned institutions complement the activities of the People's Savings Banks, providing the banks and their members with services which complement those of the savings banks. The Federation, which manages and co-ordinates the activities of the movement, while respecting the autonomy of the People's Savings Banks and the regional unions, carries out the annual inspection of their dealings, draws up and certifies their balance sheets, exercises control over the considerable investments and loans made by the savings banks and the regional unions, and runs an institute for the professional and technical training of the leaders and personnel of the movement's banks and institutions.

The Desjardins People's Savings Banks movement operates in accordance with the principal of functional decentralisation in order to reach members at the grass-roots. Members' savings are invested in various services from which they themselves wish to benefit through this network of institutions belonging to them. Functional decentralization of operations is necessary to ensure members' active participation, proper orientation and effective control.

The People's Savings Bank concerns itself not only with the economic development

## **Section IV CANADA: Structure of Desjardin's People's Savings Bank Movement**

of its members, but also with the economic and social development of the community of which they form part. The economic development of the members and that of the community are inter-related. The People's Savings Banks contribute to the financing of economic and social institutions operating in their locality. Municipalities, school commissions, factories, hospitals and co-operatives in Quebec are largely financed by the People's Savings Banks, the regional unions and the Desjardins institutions, which also participate in the financing

of the Government of Quebec, the Government of Canada, and regional or provincial co-operatives. At 31st December 1973 they held as security negotiable bonds amounting to \$1,100 million.

The 1,272 People's Savings Banks operating at 31st December 1973 comprised more than 3 million members holding \$314 million in capital shares and \$3½ million in savings deposits. The banks were owed by members \$825 million in personal loans and \$1,400 million in mortgage loans.

## **CANADA: Television in Quebec**

by **Y. DANEAU**

*Director General, Fédération de Québec des Caisses Populaires Desjardins*

At the instigation of our universities and with the collaboration of the co-operative movement and the help of the Government, a course on co-operation was instituted over several French-speaking television stations, with a series of 26 half-hour broadcasts supported by a great deal of documentation which was sent out to adult students from January to May 1974. Two thousand six hundred adult students enrolled for this course, and 1,600 others followed the course as free listeners without taking the exams, and about 400,000 to 500,000 people were able to follow the televised course of the Quebec co-operative institutions; more particularly the savings and credit banks actively supported this, either by temporarily releasing teachers in order to involve themselves in this experiment or by helping in writing the courses or by getting enrolments or by organizing regional seminars.

At the present time we are evaluating this experience and we hope to be able to evaluate the whole thing over the next few months, but we can already state that the rather protest-orientated nature of these broadcasts led the listeners to question their reaction to union movements and the reactions of co-operators to the centralization of savings banks over the last 20 years. These television broadcasts will have awakened and sensitized our politicians to the importance of the role played by the co-operative movement in our country. I think this is a positive achievement. In this course there are elements which, without being negative, require some improvement, but apart from the practical advantages which the co-operative movement can draw from this, this course is a teaching experiment added to the traditional role played by co-operatives in education.

## **CYPRUS: School Savings Banks**

by **R. N. CLERIDES**

*General Manager, Co-operative Central Bank Ltd (Nicosia)*

It is not enough to teach people to save and to enlighten them on the benefits of thrift unless you also practise what you teach. In our Cyprus movement, in regard to the educational value of thrift, having talked to the

union of teachers in elementary and secondary schools on this, and having persuaded the Minister to circularize our proposals advising the teachers to assist in a collective programme like this, we have started a school savings bank

## Section IV CYPRUS: School Savings Bank

scheme. These school savings banks function on an unofficial basis. Every schoolchild, in both elementary and secondary schools, is given a pass-book at the beginning of the school year in which voluntarily he deposits whatever amount of money he has. In order to stimulate the parents to give money to the children, we tell them that this money will be used for expenses in covering education of a higher standard—for secondary education and to provide for university fees.

The whole exercise has proved to be a complete success. The schoolteachers now collect money every week and deposit the proceeds with the local co-operative society, which in turn utilizes these funds to issue loans to those parents who are in need. The interest is used for school excursions and for projects, for football grounds and things like that. The

teachers who do this job receive no remuneration but receive a collective contribution from the co-operative movement which is utilized for the benefit of the children of the schoolmasters. Currently we collect £2 million a year, which is about 1 per cent of the total of the deposits in the island, or alternatively 78 per cent of the whole of the deposits within our movement. For an island of 3,500 square miles, inhabited by 600,000 people, with a per capita income of £400 and a rural population comprising 35 per cent, I think that is successful. Our experience has been that no parent, however poor, will let his child down, even if the amount to be deposited is the very minimum. In this way we have been able to initiate the children and their parents, bringing them into direct contact with our co-operative movement.

## FRANCE: On-the-Job Training, France-Togoland

by J. MOREAU

*Caisse Centrale de Crédit Coopératif*

I am a representative of the local *Crédit Agricole*. You know that these are co-operative societies in France, and I managed to get our board of directors interested in the action undertaken, and this led to the following. In the first stage we had a twinning between our regional bank and the bank in Togo. This was done during one of our annual assemblies. A few Togolese gentlemen came along to attend the meeting and to be awarded five training scholarships to trainees. We paid for their journey and their stay in France for training. They were placed at local level, in local savings banks, so that they could learn the everyday tasks, learning to take an application for credit from a farmer and to go through the day-to-day operations. We felt that taking people from outside and putting them into a headquarters office would be useless to them because when they go back home they would not be working at this level, and would not make anything of the training given. I pay particular attention to the trainees being made to work at a lower level, whether it is doing

simple accounting jobs or organizing low-level administrative circuits of the sort that they can use in their own country when they get back. We took five trainees and we trained them to co-operative level. I am speaking of very small co-operatives, in accounting and individual credit operations, and they went back home after this. A few months later our chief accountant went out and spent a month in Togo and organized simple accounting procedures for their bank with the people who had spent three months in France. Then we left it to them for a few months and I went back myself for a week just to have a look at how things were going and to see what had been set up. Then we had a further trainee come back for a further stay in France. This was the initial action. I had the pleasure of a further stay about three months ago for one week and I realised that the organization had enlarged perhaps rather too quickly.

Certain of the indications I gave were not always complied with as I would have wished, but this relationship has been going

## Section IV FRANCE: On-the-Job Training, France-Togoland

on for eight years. I shall be going back with two members of my staff, two other directors, shortly. One will be looking at the financial arrangements and the other at commercial procedures. I shall be taking things in hand again, perhaps to put things back on the rails where certain things have gone wrong.

To complete this action which we are carrying on between two local branches of the *Crédit Agricole* in France and in Togo, we recently had a meeting of nine regional branches which represent the area of Brittany and the Loire, and we decided to join forces in our activity with regard to developing coun-

tries. We agreed to open our branches to trainees who need to come along for training, and of course to look after their subsistence during their stay and to train them on simple concrete jobs. We also decided that it would be a good thing to take one or two of our managers and to send them for short-term missions in those countries, naturally integrating them professionally when they come back. We have also decided to have an annual budget to finance all these operations. Our association now has to approve this and to support and endorse the co-operative development group which we are going to be building in Togo.

## INDIA: The Aurangabad Village Experiment

by E. HORII

*Chief, Relations Service,*

*International Confederation of Free Trade Unions (ICFTU)*

In the year 1972-73 our Asian trade union college conducted two experimental projects which came to be known collectively as the Aurangabad experiment in the state of Maharashtra in India. This was done in collaboration with the ILO, and the United Nations Fund for population activities. The idea was to bring 50 families together in communal living for the period of three weeks. So altogether the two courses were designed to accommodate about 100 families of agricultural workers and very marginal farmers. Among these 100 families 20 were Harijans, six were Muslims, and the others were from different castes and communities. When the families from these 100 were taken afterwards to another project the age of all the participants was under 30, which means that they were withdrawn from the misery and unhappiness to which they had been accustomed since their birth, and from morning to late evening the training tried to mould them in this new behaviour and to develop new attitudes.

The following were the salient features of this training scheme and activities. Firstly, this training programme is an investment in the development of human resources at the

grassroots level of the rural poor in Asia. This is an integrated approach for training rural poor families, husband, wife and children, so as to make them employable and bring about a behaviour change in them and help them attain the capability to participate in the economic and social development of an agrarian economy like that of India. This is a kind of organization effort on behalf of the rural poor in which the important component is to motivate them to accept as normal a small family and to extend this motivation among others through life and education. Through this training the participant couples were convinced of the need to accept family planning. This training helps to raise the status of women, and thereby women are recognized as equal partners in the economic ventures, as managers of the household and as persons demanding a small family to care for.

The next objective is that the training strongly envisages getting a self-help co-operative project of the rural poor established, and structuring it like a trade union to bargain collectively for those working as agricultural labourers or on folk labour contracts. The training is designed for the whole family,



## Section IV INDIA: The Aurangabad Village Experiment

husband and wife, along with the children within the age group of 1 to 6. The husbands and wives are in the age group of 20 to 30 and thus this is for young people. The participant families are selected from different religions and also from different castes, upper and lower. They are taught all sorts of subjects—brick-making, house construction, gardening, etc. We also provide topics like home management and family budgeting, food and nutrition, trade unions, naturally, and co-operatives. We also set down

a number of goals to be attained. They are very numerous but I will mention just a few. One was making them literate through functional literacy, helping them retain their literacy and making them conscious of the family budget. Another was the development of collective working through distribution of work and responsibility. Then there was the development and knowledge of co-operative finances and administration. These are the subjects and goals that we wanted to attain through this programme.

## INDIA: Land Development Banks

by **B. S. Vishwanathan**, *Chairman*,

*National Co-operative Land Developments Banks Federation Ltd.*

From time immemorial agriculture has dominated the Indian economy. Despite remarkable achievements in Indian agriculture there is still a shortage of food grains and other agricultural products. The basic reasons for this are the rapid growth of population and the dependence on monsoon and traditional practices still carried out on a large scale. Modern agriculture is capital-intensive and good results depend on assured rainfall, irrigation facilities, etc. In India institutional credit for agriculture is largely provided by the co-operatives.

Though the co-operative movement in India is over seventy years old, for a long time it was confined to short-term credit only. In the early 'twenties the farmers were heavily weighed down with debt on account of economic depression, and the need was urgently felt to provide long-term loans for redemption of their debts to private money-lenders at lower rates of interest, to enable the farmers to recover financially and to carry on agricultural operations.

Land Mortgage Banks, starting their operations with this main objective, later developed into long-term credit agencies catering for production-orientated agricultural credit. This improvement in the quality of lending policy was followed by a rapid quantitative growth in lending, justifying the place and importance of long-term credit for the development of agriculture in India.

Today 19 state Land Development

Banks, with nearly 1,400 primary units or branches, cater for long-term credits. They have advanced nearly 1,400 crores (£749·8 million) in the country for long-term agricultural operations, including areas where the Land Development Banks are not independently established. The Central Co-operative Banks also finance long-term agricultural operations.

The Land Development Banks, especially in the third and fourth five-year plan period, have given yeoman service to our country's farmers. The working group dealing with the fifth plan has stated in its report that "The Land Development Banks have registered commendable progress both from the point of view of expansion of the lending operation and also of the orientation of the lending policies and procedures for servicing agricultural development programmes."

In recent years the Land Development Banks have taken large loans from the World Bank through the Agriculture Re-finance Corporation of India. In the fifth plan period the Land Development Banks have to provide 1,100 crores (£588 million) to the Indian farmers. This sum is almost equal to their previous 40 years' business. For this reason the Land Development Banks have to strengthen and improve their existing structure, with the help of central and state Governments, and also with the help of the Reserve Bank of India.

## Section IV

# INDONESIA: Farm Workers Liberated in Java

by E. HORII

*Chief, Relations Service,*

*International Confederation of Free Trade Unions (ICFTU)*

Even in a country like Indonesia it is certainly possible for the people to save and to provide the capital if they are sufficiently determined and motivated. I have a happy experience of a successful experiment that we conducted in Western Java not very far from the city of Bandung, where a small dairy and vegetable farm was employing about 130 labourers and clerks. All these 130 people belonged to the same trading organization, which is in turn affiliated to our international organization.

Soon after the overthrow of the Soekarno regime these people started modest co-operative ventures, and the immediate motivation for this was the following. Out of the 130 almost 100 were permanently in the clutches of village money-lenders from whom they had borrowed heavily on the occasions of marriage and death. Once they borrowed anything like 500 rupees they were almost permanently indebted to the money-lenders because of the exorbitant interest rates charged. So the immediate motivation was to find ways and means of freeing themselves from the clutches of money-lenders. We and our sister organization, the International Federation of Plantation and Allied Workers, were called to provide technical advice for this venture. After a lot of talks they were determined to go ahead with it and agreed to

set aside every week 3 per cent of their weekly earnings. Their weekly earnings in these days range between 50 and 150 rupees (15-45 US cents) per week. Many of you may wonder how it is possible to save on that small amount, but they did save, and when I visited the place in 1970 I was shown books dating from 1969 in which there was a minute record of the weekly savings of each of the 130 members, recording the receipt of 2.1 rupees, 1.8 rupees, 2.1 rupees, etc, etc, week after week, for three years. By the end of three years these people have been able to accumulate close to 50,000 rupees in capital. In the meantime they were able to negotiate with their employer to make a matching contribution of 50,000 rupees. With this total amount of 100,000 rupees they started a modest credit scheme which brought about, among other things, 500 rupees interest-free loan repayable in six months to all the members. There were failures in the meantime but by and large in about two years' time they were able to repay all the loans they had incurred from money-lenders.

These successes, of course, consolidated their confidence and they have become bolder and have tried to diversify their activities. They have ventured into consumer co-operative schemes and it is today a fully-fledged multi-purpose "co-operative".

# MALAYSIA: Report on the Co-operative Central Bank: 1972-73

The Co-operative Central Bank for urban credit co-operative societies made significant progress in 1972. Both individual members and member societies increased rapidly by 4,750 and 15 respectively, bringing total membership to 9,745 at the end of 1972, nearly twice that in 1971. The share capital increased by \$0.6 million to \$4.2 million at the end of 1972, with co-operative member societies

accounting for \$3.3 million. The Co-operative Central Bank continued to encourage savings among its members; savings and fixed deposits increased by \$3.6 million to \$11.1 million at the end of 1972. Their total resources rose by \$5.2 million during the year to \$17.0 million. The rate of interest remained unchanged at 4 per cent for savings deposits throughout the year; it was raised to 4½ per cent with effect

## Section IV MALAYSIA: Report on the Co-operative Central Bank: 1972-73

from 1st January 1973. The interest rates for fixed deposits also remained unchanged: they range between  $6\frac{1}{4}$  per cent per annum for 3-month deposits and 7 per cent per annum for 24-month deposits.

Total loans disbursed amounted to \$5.8 million in 1972, compared with \$3.5 million in 1971, while loans outstanding rose by \$3.8 million to \$12.3 million at the end of the year. Of this amount, more than a quarter was granted under a personal loan scheme and \$0.7 million under a hire purchase scheme. The Co-operative Central Bank grants loans to co-operative societies on favourable terms to enable them to participate in commerce and industry on a joint venture basis with other co-operative societies. The Co-operative Central Bank continued to charge an annual reducing balance,  $8\frac{1}{2}$  per cent per annum on loans to co-operative societies and for mortgage loans, 9 per cent per annum for hire purchase loans and 9.6 per cent per annum for personal loans. . . .

The Co-operative Central Bank, which mobilizes funds for channelling into viable co-operative undertakings, continued to expand its activities in 1973. Total membership rose by 6,581 or 67 per cent, to 16,443 at the end of the year, of which 16,319 were individual members and 124 co-operative societies as against 9,745 individuals and 117 societies in 1972. Total resources of the bank rose by \$8 million, or about 50 per cent, to \$25 million at the end of 1973, with the rise in members' deposits accounting for nearly 80 per cent of the total increase. The increase in deposits could be traced to generally higher incomes as well as the higher interest rates offered by the bank during the year and the introduction of a wider range of maturities for

fixed deposits. Rates offered on fixed deposits were raised on several occasions during the year, and ranged from 5 per cent per annum for one-month deposits to 9 per cent per annum for 36-month deposits as at the end of 1973. The rate of interest on savings deposits, which was raised by one-half per cent to 4.5 per cent per annum on 1st January 1973, was increased further to 5.5 per cent per annum with effect from 18th December 1973.

The Co-operative Central Bank disbursed loans totalling \$10 million in 1973, an increase of more than 80 per cent over the previous year. Nearly 60 per cent of these advances were to individual members under its personal loan scheme and 22 per cent to affiliated societies to finance their hire purchase operations. Total loans outstanding increased by \$1.1 million to \$13.4 million as at the end of 1973, compared with an increase of \$3.8 million in the previous year. Lending rates were increased to a uniform 9.6 per cent per annum on all categories of loans in 1973 in view of the higher cost of funds, compared with 8.5 per cent per annum on loans to co-operative societies and on mortgage loans, 9 per cent per annum on hire purchase loans and 9.6 per cent per annum on personal loans in 1972.

To effectively mobilize funds for the expansion of co-operative projects, the Co-operative Central Bank planned to launch a nationwide membership drive and to open more branches in major towns in 1974. Proposals to establish a co-operative consortium for pooling co-operative funds for joint investment in agricultural, commercial and industrial projects are presently being considered in an effort to diversify the activities of the bank.

## SIERRA LEONE: Women in Thrift and Credit Co-operatives

by MARY THOLLEY

*Treasurer, Mabothrane Women's Thrift and Credit Society Sierra Leone*

In Sierra Leone, Women's Thrift and Credit Co-operative Societies have come to be regarded as the most fertile ground for the

progressive growth of the Co-operative Movement. This is borne out by the fact that out of some seven hundred Thrift and Credit Co-

## Section IV SIERRA LEONE: Women in Thrift and Credit Co-operatives

operative Societies in the country, it is only this type of society that has not suffered from serious setbacks.

We find in our Societies generally that women make a greater success than men of what they set themselves to do. Not only this, but they regard failure as not befitting their womanhood. They consider disgrace alien to their upbringing, and this is why most of them hesitate to go to the money-lenders to raise loans, fearing that, as money matters are always a risky business, they may not be in a position to pay back these loans when the time comes for repayment. Usually, if they are forced to obtain such loans, they go all out to see that they are wisely and productively used so that when the time comes for repayment they can do so easily without waiting to bear the humiliating consequences of the non-payment of one's debts.

These excellent traits of character of our women in Sierra Leone have relevance to Thrift and Credit Co-operative Societies' work in the country. The first essential for development of a Thrift and Credit Co-operative Society is "Thrift". Whereas men are traditionally more extravagant in their spending, women on the other hand exercise more economy as they carry the burden of making ends meet in their homes. In Women's Thrift and Credit Societies in this country, the percentage of members' savings is always very high. The deposits here are always low—the majority being only 20 cents per month—but these are paid regularly by the majority of the members.

The second essential for Thrift and Credit Co-operative Work is "Credit". Women members in these societies make the best use of the money which the society lends out to them. Because of their diligence, hard work and trustworthiness, delinquent loans in their societies are almost negligible. For this reason, the interest of members in their society's affairs is always kept alive as evidenced by the regular meetings they hold in their villages every month, at which very lively discussions always take place.

The third essential is the dissemination of co-operative education and information among the members of Thrift and Credit

Co-operative Societies. Our women are very receptive to Co-operative training. They learn quickly and usually make practical use of their training in a remarkable manner.

Another essential of Thrift and Credit development is the building of a member's character. Thrift and Credit Co-operative Societies are more likely to succeed in areas and places where a sound foundation of character training has been laid. In Sierra Leone one needs only to go among the women to prove this. The charismatic culture in them, which is of great significance in character training, places them at a better advantage in their Thrift and Credit Co-operative Societies. Sobriety, diligence, hard work, trustworthiness, service without remuneration are all handed down to the Co-operative.

Women members of Societies generally have high regard for discipline at meetings and this is why their meetings are always well run. At these meetings, every member promptly pays her monthly savings—ranging from 20 cents to Le.1-00 per month. Loans are issued for such purposes as paying children's school fees, buying household utensils, petty trading in fish, palm oil, rice, etc, vegetable gardening, garra work and buying corrugated iron sheets and cement to improve their dwelling-houses. The industry of the women members is responsible for the prompt repayment of their loans when the time is due for their recovery. Many homes in the country today have been able to raise their standard of living because of active participation of women in Thrift and Credit Co-operative Societies.

It is important to note that Co-operative work has helped greatly in bringing the women of this country together. Through this movement, they have come to know and understand one another better. This has increased their love and concern for one another. Many women have come to realise that the training which they get through their active participation in the affairs of their societies has given them added advantages in the sphere of national activities. Where previously women were shy in facing and addressing large audiences, they do so now with confidence and dignity. Thrift and Credit

Co-operative Societies are becoming more important every day in national life, but could be much more so, if sufficient numbers of our

educated women were available in the societies to form a sound base for further accelerated Co-operative development.

## UNITED KINGDOM: The First Ten Years of Credit Unions in Britain

by FRANK VILLIERS

*Managing Director, Credit Union League of Great Britain*

Credit Unions were born of adversity. In the 1960s when West Indian immigrants were coming into Britain in large numbers, they had very little money with which to establish themselves and their families. Obviously they had to secure credit of some kind, but they found that they were often charged higher rates of interest, and asked to pay larger deposits for houses or flats, than the host community. These problems were discussed at the monthly meetings of the West Indian Standing Conference, and as West Indians were familiar with the idea of credit unions (they were introduced into the Caribbeans around the 1940s), credit unions seemed to provide the answer.

We started by getting a group of Jamaicans together, and spent many nights in each other's front-rooms discussing the question. It was important to make sure that everybody had sufficient knowledge of the actual operation and administration of a credit union to make it work. We got a set of model rules from the Jamaica Co-operative Credit Union League, and found out about registration procedure. Then we ran into difficulties.

Credit unions did not fit in with Friendly Society legislation and the Registrar did not appreciate the safeguard given by the stipulation that a credit union is only open to members of an already existing group. It took us almost two years—from 1962 to 1964—before a very much modified set of rules was agreed on and we were able to register the Hornsey Co-operative Credit Union on 5th April 1964. By 1967 we had established five credit unions, all in the Greater London area, and in October of that year, with the assistance

of CUNA International, we formally organized the Credit Union League of Great Britain.

In May 1969 we were accepted as members of CUNA International, which automatically entitled us to insurance cover providing loan protection and life insurance for all credit union members. By the end of 1969 we had 18 credit unions, as far afield as Bradford, Leeds, Huddersfield, Manchester and Glasgow, and in 1970, with the co-operation of the CUNA Mutual Insurance Society, we held our first one-week residential school. We were also able for the first time to set up a full-time office with paid staff, with the aid of a grant from CUNA Mutual Insurance Society.

From the time we commenced, we were cognisant of the fact that, although the first credit union in Britain was started by and for West Indians, Credit Union principles would not allow us to operate specifically for any one race, colour or creed. Therefore once that first credit union got established, the West Indian members were encouraged to bring in their English friends. The credit union idea was something entirely new to English people, and they could only be admitted one or two at a time in order not to swamp the operating machinery—but since that first one, we have never had a 100 per cent West Indian membership in any credit union. The first completely non-West Indian credit union was started in Glasgow in 1970 by people of Irish descent who knew of the credit unions in Ireland and, with help from the League, eventually organized the Western Credit Union. Membership is now growing faster in the host community

## Section IV UNITED KINGDOM: The First Ten Years of Credit Unions in Britain

than among West Indians, so that the ratio of West Indian to non-West Indian membership is approximately 65: 35.

Credit union membership is a two-fold asset. On the one hand the member becomes involved in the life of the community and learns democratic participation in the running of his credit union. On the other, he receives not only the benefits of low-interest borrowing and regular saving, but skilled financial advice and an intensely personal service not available anywhere else. Some time ago, a young man returned home one evening from his work to find a telegram saying that his father in Jamaica had died. Normally to find the money necessary for his fare would have been very difficult for such a man, but he immediately contacted his credit union treasurer, who helped him complete the loan application form. The treasurer then had to get together the necessary majority of the loan committee to adjudicate on the loan, which he eventually managed around 11 o'clock that evening. After two hours of discussion, which had to take into account the committee's responsibility to the credit union as a whole, the man's trustworthiness set against the fact that he might not return, the size of the loan, etc, the loan was granted. It then turned out that his passport had expired, so first thing in the morning, one of the committee drove him to the Commission to get his passport renewed; the treasurer went with him to the bank to cash the cheque; and another member drove him to the airport to get the midday flight to Jamaica.

The Credit Union League of Great Britain now has 48 affiliated credit unions with 39,000 members. In addition to credit union insurance, it has developed many services for the benefit of its affiliates. We now provide regular weekend seminars for officials, run correspondence courses, and produce all the manuals and leaflets necessary for their operation. We have our own special accounting system, which is taught to all credit union managers and treasurers: in many cases the person who volunteers to become the treasurer has never had any opportunity of book-keeping training, but by using our system he quickly becomes very well qualified to do the job.

We have also started a League central accounting service, which credit unions may use if they wish. They themselves continue to be responsible for the usual financial operation of the credit union, for keeping members' accounts, collecting savings, loan repayments and interest from the members, and lodging these sums in their bank accounts. They then send all vouchers and papers referring to transactions during the past week to the League Office, and the League Office deals with all their cashbook, journal and ledger entries, and produces a monthly financial statement in time for each Directors' Meeting, together with comments on their financial operations. Budgeting advice is the most important aspect of this Service, and by using this service, a credit union learns how to operate, and its financial management noticeably improves.

## USA: Co-operative Thrift and Credit for Low-Income Groups

by GLENN FOX

*Financial Consultant, CLUSA*

Credit and thrift co-operatives on occasion may experience excess funds. Increasing dividends, disbursing surplus or extending loans may not seem prudent. The purchase of government bonds is the most frequent practice. While this is laudable in many cases,

surely interco-operative loans or investments should be sought. Credit unions of the US are seeking, and rightly so, a bank to help with liquidity as well as more efficient employment of funds. Sometimes such funds may be used for public purposes as for instance seed money

## Section IV USA: Co-operative Thrift and Credit for Low-Income Groups

for a project of interest to the members, a clinic to attract a physician, or even a processing plant to help convert waste products and increase the assurance of a market.

One of the new good examples of the fact that low-income people can and do save and can run their own credit, supply and marketing co-operative is the record of the Southern Co-operative Development Foundation (SCDF), Lafayette, Louisiana, USA, and it is a good one. It received some financing and guidance from a good co-operatively orientated insurance company owned by credit unions, the League Life Insurance Company, Detroit, Michigan, USA.

The SCDF was organized in 1969 for the express purpose of making loans to more than 130 co-operatives organized among low income people. SCDF has amassed a total of \$622,208 in grants from foundations and government for general administrative purposes.

As of 30th April 1973, the Southern

Co-operative Development Fund had approved 36 loans totalling \$981,000 to co-operatives located in nine different southern states. Short, medium and long-term loans are made to co-operatives for up to twenty years. Interest rates are similar to those charged by commercial institutions, but without the new bank, low income co-operatives would not have any sources of loan financing. Through the bank and related established co-operatives, valuable technical assistance and counsel play a major role in improvement of co-operative operations.

The federal government's Office of Economic Opportunity has provided \$550,000 to guarantee the sale of debentures totalling \$368,715 as equity to capitalize the formation of a Minority Small Business Investment Corporation (MESBIC). This SCDF Investment corporation has a 1 to 3 leverage allowing it to borrow \$1,500,000 from a government agency (the Small Business Administration).

## LATIN AMERICA: Technical Assistance for Credit Unions

by M. ROBERTSON  
*President, ICUS*

Seventeen years ago, CUNA International launched a technical assistance programme to assist the organization and development of credit unions concentrating initially in the Caribbean and Latin American areas, but eventually expanded to other countries throughout the world requesting such technical assistance. With the co-operation of many institutions and agencies interested in the economic development of developing countries, this programme has now reached over 70 countries.

The programme in Latin America, in particular, achieved significant success having accumulated in savings among credit union members both urban and rural \$200 million in approximately 4,000 credit unions with a total membership of 1.3 million. Most important, however, the rural credit unions differed significantly from consumer credit

orientated credit unions of the United States. In Latin America, the need of members of credit unions in the rural areas was for production-related activities.

In 1961, AID made the important decision to support technical assistance efforts for the organization and development of co-operatives, savings and loan associations and credit unions to those countries requesting it. With the assistance of CUNA, AID and other agencies, 18 countries in Latin America have developed their own indigenous, autonomous, national credit union networks and national federations. In 1970, federations from 14 countries formed the Latin American Confederation of Credit Unions—COLAC. This Confederation has set as its first priority the making of agricultural credit available to small campesinos of Latin America.

This objective is to be pursued by

## Section IV LATIN AMERICA: Technical Assistance for Credit Unions

<i>Country and Organization</i>	<i>Source</i>	<i>Amount</i>	<i>Purpose</i>
(1) Bolivia—FENACRE	AID	35,000	Agriculture
(2) Ecuador—Ecuador Co-operative Bank	AID	2,000,000	Agriculture Artesan Transportation Small industry Housing
	All nations	57,000	Co-op Insurance
	COLAC	55,000	Fertilizer Dist.
(3) Costa Rica— FEDECREDITO	AID/BNCR	1,000,000	Agricultural credit Small farmer
(4) El Salvador— FEDECACES	AID	2,000,000	Agriculture Small industry Housing
	Central Bank	200,000	Agricultural credit
(5) Guatemala— FENACOAC	AID	800,000	Agricultural credit
	GOG	100,000	Agricultural credit
	COLAC	200,000	Fertilization Dist. system
(6) Honduras—FACACH	Central Bank	500,000	Agricultural credit Small industry
	Alliance Progress	35,000	Com. Development
	AID/BNF	1,500,000	Agricultural credit Marketing
	COLAC	180,000	Agricultural credit
(7) Panama—FEDPA	Chase-Manhattan	200,000	Agricultural credit Small industry
(8) Peru—Federacion Nacional de Cooperativas de Ahorro y Crédito del Peru	IBD	1,000,000	Housing and small industry

COLAC through a co-ordinated regional technical assistance and finance programme directed at the member federations to enable them to initiate and expand production programmes in both urban and rural areas. More details on this regional programme are provided in the COLAC paper presented at this conference.

The amount of external financing from international sources made to Latin American federations for production credit programmes has been approximately \$9,862,000. This \$9,862,000 has been distributed as seen below:

Although the loans to these federations were made at subsidized rates, the loan to the credit union member was at 12 per cent or more per annum. Federation loan portfolios have maintained up-to-date their repayment record, and are complying with the terms and

conditions stipulated in the loan agreements and contracts. A good example is Peru where the first international loan of \$1,000,000 was made to a national credit union organization in 1963. Even though three major devaluations within the repayment period have taken place, the repayment schedule is up-to-date. The record of loan administration within these Latin American countries in the credit union movement has led the World Council of Credit Unions to the conclusion that credit unions have the potential to reach a lower level of the farm population than is currently being reached. By providing them with institutional credit and other related services such as improved credit, agricultural methods, farm supplies, and better marketing facilities, they contribute to the solution of this difficult problem.



# LATIN AMERICA: Extension of Workers' Banks

by A. LEWINSKY

*Director, Bank Hapoalim, Israel*

In recent years the trade union movements in twelve countries of Latin America have laid aside political differences, joined with co-operative groups and organizations, ensured the assistance of their Governments as far as possible and, with the aid of Israeli technicians—under the auspices of the Organization of American States—founded banking institutions.

Eight such banks are already operative—in the Argentine, the Dominican Republic, Guatemala, Honduras, Jamaica, Puerto Rico, Venezuela and Trinidad and Tobago—while four additional banks are shortly to be established in Bolivia, Colombia, Ecuador and Paraguay, respectively.

These Workers' Banks—Bancos de los Trabajadores—are commercial banking institutions providing all banking services and operating branch networks throughout their countries.

Their share capital has been raised by their members—trade unions, co-operatives and individual workers—and, though not in all instances, additional seed capital was provided by their respective Governments. They operate under banking supervision like all other banks and are subject to the banking laws of their countries. Although they are still young, their progress has been remarkable. The consolidated assets of the existing banks rose from US\$58 million in December 1970 to US\$160 million in December 1973, and may easily reach US\$200 million by the end of 1974.

Share capital and surplus rose during the same period from US\$14 million to US\$26 million, with deposits increasing from US\$35 million to US\$100 million, while the balance of outstanding loans rose from US\$36 million to US\$100 million. Quite a remarkable achievement.

This achievement is even more remarkable if we take into account the short period of the banks' existence, the unavoidable difficulties of inexperienced new institutions,

the relatively low incomes of the people who made these banks their own.

But this success cannot truly be measured in dollars and cents, although it is gratifying to note that two of the banks are already declaring dividends, while the rest—except for two—are wisely accumulating reserves towards future growth.

With the creation of these banks a new process has started:

- The trade unions involved have added a new, positive dimension to their work, shouldered active responsibility in the fate of their countries and become partners in their development.
- The principle of self-help and mutual aid has thus found practical expression.
- In some countries this concerted effort has produced the first national banking institutions.
- The battle against usury has been joined, and the first practical results are discernible.
- Banking services have been made available to new sectors of the population.
- Savings have become an instrument in the hands of those in need of personal credits, employment and housing.
- Outside funds start to be attracted, invested or channelled by these institutions.
- Internal and international co-operation have become meaningful.

Let me briefly cite a few examples:

Seven years ago it was well-nigh impossible for an employee or worker or small artisan in Honduras to obtain a loan from the commercial banks of the country. The solution to his credit problems could in almost every instance be found only outside the banking system. The interest charged by the money-lenders amounted to up to 2 per cent a day, equalling about 700 per cent per annum. Two

## Section IV LATIN AMERICA: Extension of Workers' Banks

years after the bank started its operations, charging 15 per cent for personal loans to its shareholders, the interest rate on small loans dropped sharply; savings began to accumulate. When the Workers' Bank began to branch out from the capital to additional centres, the banking system started to show interest in this new type of clientele, offering credits at similar rates. The same bank in Honduras changed the street scene in Tegucigalpa overnight by financing the first taxi co-operative of the capital, equipping it with modern taxicabs.

The Workers' Bank in Honduras was the first of the new banks successfully to channel housing loans of the Inter-American Development Bank.

Quite a number of the new banks are authorized to act as housing and mortgage

banks. The Workers' Bank of Venezuela—now in its seventh year—has developed a considerable housing mortgage portfolio and is in the process of establishing a daughter-company for the construction and administration of apartments. During 1974, debentures and participation certificates will be issued to the public in order to increase the necessary resources. This most dynamic institution is already handling provident funds accumulating out of a tariff agreement for State employees signed between the Unions and the Government.

All these new banks have tens of thousands of shareholders, with a consequently rapidly-growing number of accounts. No wonder they have started to computerize and try to employ the most up-to-date banking methods.

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## Appendix I

Mr J.-Gaudiose HAMELIN, <i>Manager</i>	La Fédération des Caisses d'Economie du Québec
Mr Robert J. INGRAM, <i>General Manager</i>	National Association of Canadian Credit Unions
Mr Albert JESSOP	Ministère des Institutions financières compagnies et coopératives, Québec
Mr C. JOHNSON	Credit Union Federation of Alberta
Mr Maurice J. KING, <i>Director General</i>	Quebec Credit Union League
Mr Fernand LADOUCEUR, <i>Manager</i>	La Fédération de Québec des Caisses populaires Desjardins, Lévis
Mr Albert LAJOIE, <i>Manager</i>	„ „ „
Mr F. LAROCHE, <i>Manager</i>	„ „ „
Mr A. MAILHOT	Ministère des Institutions financières compagnies et coopératives, Québec
Mr Marcel MARCOTTE, <i>Manager</i>	La Fédération de Québec des Caisses populaires Desjardins, Lévis
Mr B. MARTIN	Cooperative Credit Society of Manitoba
Mr Lionel MENARD, <i>Manager</i>	La Fédération de Québec des Caisses populaires Desjardins, Lévis
Mr Marcel PAGEAU, <i>President</i>	Fédération de Montréal des Caisses Desjardins
Mr Armand PARENT, <i>Manager</i>	La Fédération de Québec des Caisses populaires Desjardins, Lévis
Mr Jack C. PEARPOINT	Canadian University Service Overseas, Ottawa
Mr Armand PIETTE, <i>Manager</i>	La Fédération de Québec des Caisses Desjardins, Lévis
Mr Gaétan POULIN, <i>Manager</i>	„ „ „
Mr Alfred ROULEAU, <i>President</i>	„ „ „
Mr Albert SCALLON, <i>Manager</i>	„ „ „
Mr Robert SOUPRAS, <i>Director General</i>	Fédération des Caisses d'Economie du Québec
Mr Yves TETREAULT, <i>Director General</i>	Fédération de Montréal des Caisses Desjardins
Mr S. TOBEY	Credit Union Federation of Alberta
Mr Gérard TREMBLAY, <i>Manager</i>	La Fédération de Québec des Caisses populaires Desjardins, Lévis

	Mr Henri-Paul TRUDEL, <i>Manager</i>	La Fédération de Québec des Caisses populaires Desjardins, Lévis
	Mr Welly VEZINA, <i>Manager</i>	” ” ”
<b>CHILE</b>	Mr Rodolfo YUNIS SALAME, <i>Manager of Planification</i>	Cooperativa SODIMAC Limitada
<b>COLOMBIA</b>	Mr Carlos DUQUE GUTIERREZ <i>Latin American Director</i>	CUNA Mutual Insurance Society, USA
<b>CYPRUS</b>	Mr Renos CLERIDES, <i>General Manager</i>	Coop Central Bank Ltd.
	Mr Savvas DROUSSIOTIS, <i>Secretary/Manager</i>	Ayios Dhometios Coop Savings Bank Ltd.
<b>DOMINICAN REPUBLIC</b>	Mr E. FERNANDEZ	Dominican Development Foundation
<b>FRANCE</b>	Mr Paul BEAULIER, <i>Director General</i>	Caisse Centrale de Crédit Mutuel de l'Aisne, etc.
	Mr Jean-Clause BELLOT, <i>Director</i>	Caisse Régionale de Crédit Maritime Mutuel
	Mr Theo BRAUN, <i>President</i>	Confédération Nationale du Crédit Mutuel
	Mr Joseph BUCHOU, <i>Director</i>	Caisse Régionale de Crédit Maritime Mutuel
	Mr Pierre CHAMPION, <i>Director</i>	Crédit Foncier de France
	Mr Georges CLEMENTZ, <i>President</i>	Fédération du Crédit Mutuel de la Région Parisienne
	Mr Jean CORRE, <i>Director</i>	Fédération Régionale des Caisses de Crédit Mutuel d'Ille et Vilaine
	Mr Roger COSTE, <i>Director of Studies</i>	Centre de Recherche Economique sur l'Épargne
	Mr Lionce COTTALORDA, <i>Director</i>	Caisse Régionale de Crédit Maritime Mutuel
	Mr Pierre COTTEREAU	Fédération du Crédit Mutuel
	Mr Gaston DEFOSSE	Banque Nationale de Paris
	Mr André DIGNEAU, <i>Director</i>	Caisse Régionale de Crédit Maritime Mutuel
	Mr Jean DIGNEMENT	Caisse des Dépôts et Consignations
	Mr Daniel DREUMONT, <i>Director</i>	Caisse Régionale de Crédit Maritime Mutuel
	Mr D. DURAND	Fédération Régionale des Caisses de Crédit Mutuel de Maine et Loire
	Mr J. L. FEUARDENT	Caisse Centrale de Crédit Coopératif

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Mr Alexis FONTMORIN, <i>Manager</i>	Fédération Régionale des Caisses de Crédit Mutuel d'Ille et Vilaine
Mr Georges FRANCOIS <i>Director</i>	Fédération du Crédit Mutuel de la Région Parisienne
Mr Jacques GAUDUCHEAU, <i>Vice-President</i>	Fédération nationale des sociétés coopératives d'habitations à loyer modéré
Mr B. GINS	Caisse Centrale de Crédit Coopératif
Mr Guy HERTEL	Confédération Nationale du Crédit Mutuel
Mr Roger HYVARD	Fédération du Crédit Mutuel
Mr A. KERSPERN	Cités Coopératives
Mr P. LACOUR	Union du Crédit Coopératif
Mr Norbert LAGUEYTE, <i>Vice-President</i>	Caisse Régionale de Crédit Maritime Mutuel
Mr Maurice LECARDONNEL	Fédération nationale du Crédit Agricole
Mr Marcel LEROY	Fédération du Crédit Mutuel
Mr Maurice LERUTH, <i>Secretary General</i>	Banque Régionale d'Escompte et de Dépôts (BRED)
Mr Louis LICHOU, <i>Vice-President</i>	Confédération Nationale du Crédit Mutuel
Mr Antoine LOICHOT, <i>Secretary General</i>	Chambre Syndicale des Banques Populaires, Paris
Mr Patrice MADELIN, <i>Director</i>	Caisse Régionale de Crédit Maritime Mutuel
Mr J. MOREAU	Caisse Centrale de Crédit Coopératif
Mr Louis MORTIER	Fédération du Crédit Mutuel
Mr Louis OGER, <i>President</i>	Fédération des Caisses Crédit Loue Atlantique, Nantes
Mr Jean OUVRARD	Fédération du Crédit Mutuel
Mr Georges PETIT, <i>Manager, UK</i>	Crédit Lyonnais, Paris
Mr Jean PIOGER, <i>Manager</i>	Fédération Régionale des Caisses de Crédit Mutuel de Maine et Loire
Mr V. QUEMA	Crédit Maritime Mutuel
Mr A. RAMBAUD	Caisse Nationale de Crédit Agricole
Mr Pierre RATINAUD, <i>Director</i>	Fédération Régionale de la Charente
Mr Roger REYNAUD	Confédération Nationale du Crédit Mutuel
Mr Fernand ROUSSE, <i>President</i>	Caisse Centrale de Crédit Mutuel de l'Aisne, etc.

	Mr Pierre de SAINT BASILE, <i>Joint Director General</i>	Banque Française de l'Agriculture et du Crédit
	Mr Guy SIMON, <i>Treasurer</i>	Crédit Coopératif
	Mr Joseph THIBAUT, <i>Director General</i>	Fédération Régionale des Caisses de Crédit Mutuel de Maine et Loire
	Mr Paul VIVIEN	Fédération du Crédit Mutuel
<b>Federal Republic of GERMANY</b>	Mr H. BENZING	Friedrich-Ebert Stiftung, Bonn
	Dr W. HESSELBACH, <i>Chairman, Board of Management</i>	Bank für Gemwinwirtschaft AG, Frankfurt a.M.
	Mr Manfred SANDER, <i>Manager</i>	“ “ “
	Mr Lothar SELZNER, <i>Expert for Cooperative Movements</i>	Inst. für Int. Solidarität der Konrad- Adenauer Stiftung
<b>INDIA</b>	Mr T. AGRAWAL	National Co-operative Union of India
	Mr C. D. DATEY	Reserve Bank of India
	Mr A. N. MUSHRAN	National Co-operative Union of India
	Mr M. A. QURAIISHI	Government of India
	Mr V. SATHE	Maharashtra State Co-op. Bank
	Mr T. SINGH	Bihar State Land Dev. Bank
	Mr R. G. TIWARI, <i>President</i>	National Co-operative Union of India
	Mr K. VEERSHETTY	National Co-operative Union of India
	Mr B. S. VISHWANATHAN	National Co-operative Land Deve- lopment Banks Federation Ltd.
	Mr N. R. WARERKAR, <i>Secretary</i>	Saraswat Coop. Bank Ltd., Bombay
<b>IRISH REPUBLIC</b>	Mr Denis FITZPATRICK	Research and Planning Committee Mid-Munster Chapter of Credit Unions
<b>ISRAEL</b>	Mr Alfred FRIEDMANN, <i>Manager</i>	BAHAN Audit Union of Coop. Societies in Israel Ltd.
	Mr Akiva LEWINSKY, <i>Director</i>	Bank Hapoalim B.M., Tel-Aviv
	Mr Ehud SHILO, <i>Deputy Secretary General</i>	“Hevrat Ovdim”, Tel-Aviv
<b>ITALY</b>	Mr T. BOTTERI	Ente Nazionale delle Casse Rurale
	Mr Luigi BRAMBILLA, <i>President</i>	Ente Consortile di Mutualità, Milan

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	Mr Angelo BRIOSCHI, <i>Vice-President</i>	Ente Consortile di Mutualità, Milan
JAPAN	Mr Takeshi HAYASHI, <i>Director</i>	Central Coop. Bank for Agriculture and Forestry, Japan
	Mr Muneo NAKAJIMA, <i>Manager</i>	” ” ”
KENYA	Mr Raphael M. MUTHIANA, <i>Lecturer</i>	Cooperative College
	Mr George Albert OKEYO, <i>Lecturer</i>	” ”
MALAYSIA	Mr Loke Yok CHEONG, <i>Vice-Chairman</i>	Government Servants Coop. Thrift & Loan Society Ltd.
	Mr JALALLUDIN bin Haji Kassim <i>Director</i>	Co-op. Central Bank Ltd.
	Mr M. D. JAMALUDDIN, <i>Vice-Chairman</i>	Royal Malaysian Police Co-operative Society Ltd.
	Mr G. KRISHNAN, <i>Vice-President</i>	Railway Co-operative Thrift & Loan Society Ltd.
	Mr N. A. KULARAJAH, <i>President</i>	Co-op. Union of Malaysia
	Mr Fong Ah NGOH, <i>Director</i>	Co-op. Central Bank Ltd.
	Mr Supah NOH	Mercantile Co-operative Thrift & Loan Society Ltd.
	Mr K. RAMACHANDRAN Mr A. M. TAJUDDIN	” ” ” Royal Malaysian Police Co-operative Society Ltd.
MAURITUS	Mr I. LEELACHAND, <i>Observer</i>	
NETHERLANDS	Mr Jan R. HAVERKAMP, <i>Editor, 'Rabobank'</i>	Coöp. Centrale Raiffeisen- Boerenleenbank A.G.
	Mr G. C. D. VANK DIJK, <i>Sub-Manager</i>	Hollandse Koopmansbank N.V.
NIGERIA	Mr Ola AMURE, <i>Treasurer</i>	Lagos State Coop. Union Ltd.
	Mr Gabriel OLAJIDE OSOBA, <i>Deputy General Manager</i>	Co-operative Bank Ltd., Ibadan
POLAND	Mr Miroslaw DYMITRUK	Central Union of Thrift & Credit Co-operatives
	Mr Andrzej GILARSKI, <i>Vice-President</i>	” ” ”



<b>SIERRA LEONE</b>	Mrs M. THOLLEY, <i>Treasurer</i>	Mabothrane Women's Thrift & Credit Society
<b>SWEDEN</b>	Mr Hans DAHLBERG Mr B. TRONET, <i>Finance Director</i> Mr Carl-Axel ZACHRISSON, <i>Treasurer</i>	Folksam, Stockholm Kooperative Förbundet (KF) " " "
<b>SWITZERLAND</b>	Mr Werner BLEILE, <i>Director</i> Mr Markus HÄNER, <i>Vice-Director</i>	Genossenschaftliche Zentralbank A.G., Basel Coop Suisse, Basle
<b>TUNISIA</b>	Mr E. FARHAT	Banque de Développement économique de Tunisie
<b>TURKEY</b>	Mr Caglar GÜNER Prof Dr Ziya Gökalp MULAYIM, <i>Director</i>	Agricultural Bank of the Turkish Republic Türk Kooperatifçilik Kurumu, Ankara
<b>UK</b>	Mr Ian BRIERLEY, <i>Market Research Manager</i> Mr Peter F. HOWELL, <i>Assistant Manager</i> Mr L. LEE <i>Manager</i> Mr Stephen RANKIN, <i>Assistant Economic Officer</i> Mr Frank VILLIERS, <i>Managing Director</i>	Co-operative Bank Ltd., Manchester " " " " " " Co-operative Union Ltd., Manchester Credit Union League of Great Britain
<b>USA</b>	Mr A. V. CASTRO <i>Market Research Manager</i> Mr Robert L. CURRY, <i>President</i> Mr Allie FELDER, <i>Vice-President</i> Mr James FETTEROLE, <i>President</i> Mr Glenn S. FOX, <i>Financial Consultant</i> Mr P. HEBERT Mr Carlos M. MATOS, <i>Vice-President International Operations</i> Mr J. R. PRINDLE	CUNA—Global Projects CUNA Mutual Insurance Society, Madison, Wis. Cooperative League of the USA, Washington, DC Michigan Credit Union League Cooperative League of the USA CUNA/WOCCU CUNA Mutual Insurance Society, Madison, Wis. CUNA

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	Mr B. B. SUNBURY, <i>Assistant to Governor Operations</i>	Farm Credit Administration, Washington, DC
	Mrs S. SUNBURY	
	Mr H. WEGNER	CUNA/WOCCU
ZAMBIA	Mr Alex HALUBOBYA, <i>General Manager</i>	Credit Union and Savings Association of Zambia
INTERNATIONAL	Mr Ivan ALPHONSE	World Council of Credit Unions, Geneva, Switzerland
	Mr Robert ATKINSON	World Council of Credit Unions, Inc. Madison, USA (WOCCU)
	Mr A. A. BAILEY, <i>Executive Director, World Extension</i>	” ” ”
	Dr M. BONOW, <i>President</i>	International Co-operative Alliance
	Mr H. BRAATEN	World Council of Credit Unions, USA
	Mr A. F. BRAID	FAO, Rome
	Mr Alex FERGUSON	World Council of Credit Unions, USA
	Mr Dieter GRETHE, <i>Managing Director</i>	International Co-operative Bank Ltd, Basle, Switzerland
	Mr M. G. HESS, <i>Secretary</i>	ICA Banking Committee
	Mr Etsuro HORII, <i>Chief, Relations Service</i>	International Confederation of Free Trade Unions (ICFTU), Belgium
	Mr J. Burke KNAPP, <i>Vice-President</i>	World Bank
	Mr M. V. MADANE, <i>Joint Director (TA &amp; T)</i>	ICA Regional Office for South-East Asia, New Delhi, India
	Mr Joseph MEDEIROS	World Council of Credit Unions, USA
	Miss I. MOESCH	ICA Banking Committee
	Mr B. MUKONG, <i>President</i>	African Co-operative Savings and Credit Association (ACOSCA)
	Mr Dan NYANJOM, <i>Director</i>	ICA Regional Office for East and Central Africa, Moshi, Tanzania
	Mr Bernardino ORTIZ, <i>President</i>	Confederacion Latino-americana de Cooperativas de Ahorro y Credito (COLAC), Panama
	Mr R. C. ROBERTSON	World Council of Credit Unions, USA

Dr S. K. SAXENA, <i>Director</i>	International Co-operative Alliance
Mr Andrew SO KWOK WING, <i>President</i>	Asian Confederation of Credit Unions (ACCU), Hong Kong
Mr Robert SWANN	International Independence Institute, Ashby, USA
Mr Kurt VOGELSANG, <i>Director</i>	Int Coop Bank Co Ltd, Basle, Switzerland
Mr H. WATZLAWICK	ILO, Geneva
Mr P. E. WEERAMAN, <i>Director</i>	ICA Regional Office for SE Asia, New Delhi, India
Mr Ellis WOHLNER, <i>Actuary</i>	Insurance Development Bureau, Sweden
<b>CONFERENCE STAFF</b>	
Mr W. P. WATKINS <i>Conference Rapporteur</i>	
Mme A-M. ROBERT and Mr H. OHMI, <i>Joint Secretaries</i>	International Liaison Committee
Mr G. J. ALDER	International Co-operative Alliance
Mrs. Margaret BLINDELL	
Mrs Ursula BOWEN	
Mr R. P. B. DAVIES	
Miss Helen EVANS	
Miss L. KENT	
Mr F. LEE	
Mr S. MSHIU	
Dr J. H. OLLMAN	
Miss Eva OLSSON	
Miss Cecile PREBANDIER	
Mrs L. STETTNER	
Mrs Dorothy TURNER	
Melle M. DELLOZ	Crédit Coopératif
Mme K. FRANÇOIS	

# APPENDIX II

## The International Liaison Committee on Co-operative Thrift and Credit

# Rules

**1 The name of the Committee is:**

*“International Liaison Committee on Co-operative Thrift and Credit”.*

**2 Aims:**

The Committee is an organization which has as its purpose the development of thrift and credit co-operatives throughout the world and the co-ordination of their activities at the international level by providing the facilities necessary for the exchange of information, personnel and experts' opinions.

**3 Methods for the achievement of these aims:**

- (i) by the exchange of information data;
- (ii) by the organization of an international conference in accordance with the periodicity necessary;
- (iii) by all other appropriate means.

This task is accomplished in close and active collaboration with the international organizations which have similar objectives, and in particular with the International Co-operative Alliance and its Banking Committee and with the World Council of Credit Unions.

**4 Membership:**

It is organizations that are members of the Committee and they will appoint their representatives to the Committee.

Membership is open to the following:

- national, central or similar thrift and credit co-operatives;
- national, central co-operative unions;
- organizations whose aim is the promotion of thrift and credit co-operatives, appropriate United Nations agencies, non-governmental organizations, international or regional co-ordinating bodies, etc.

Admission is subject to the approval of the Committee.

**5 Officers:**

The Committee shall elect a Chairman and two or three Vice-Chairmen from among the accredited representatives of member organizations and with their consent. The term of office shall be two years and they will be eligible for re-election.

In the event the Chairman being absent, one of the Vice-Chairmen who is designated by the Chairman or by the Committee shall take his place.

**6 Committee Decisions:**

Decisions of the Committee will be by simple majority vote.

Each member organization will have one vote on condition that it shall have fulfilled

its financial obligations towards the Committee. In the event of an equal vote, the motion will not be carried. In the event of absence, a committee member may appoint another member to act as proxy.

**7 Committee Meetings:**

As a rule the ordinary meetings of the Committee shall be held twice a year. Extraordinary meetings of the Committee may be convened whenever the Chairman deems it necessary or at the request of one third of the members.

**8 International Conferences:**

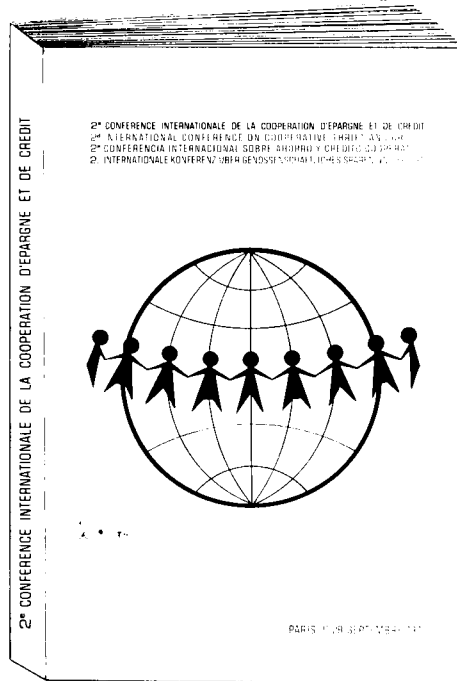
As a general rule the Conference shall meet every three years.

**9 Secretariat and Finance:**

The Secretariat is appointed by the Committee. Each year the latter determines the amount of contributions to be utilized to cover its operational expenses.

Member organizations shall defray the cost of travelling and other expenses for their representatives in connection with the meetings of the Committee and at general conferences.

The fiscal year of the Committee shall begin on 1st January and end on 31st December.



**The report of the  
2nd International Conference on  
Co-operative Thrift & Credit**

is still available from  
the International Liaison Committee  
at either : Crédit Co-opératif

18 bis Avenue Hoche  
75008 Paris  
France

or : International Co-operative Alliance  
11 Upper Grosvenor Street  
London W1X 9PA  
UK