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## CRITICAL STUDY ON CO-OPERATIVE LEGISLATION AND COMPETITIVE STRENGTH

### TERMS OF REFERENCE

#### 1. BACKGROUND

We are entering a new threshold in the global co-operative scene. In-depth discussions on "Co-operative Values" during the Tokyo Congress in 1992 brought on richer discussions at the Manchester Centennial Congress in 1995, upon which the new "Co-operative Identity" was reaffirmed. The resolute avowal of the "Co-operative Identity" is crucial in attempts being made to preserve true co-operativism in the wake of changing socio-economic trends globally. The Co-operative Identity, which incorporates both the Definition, Values, and Principles of a Co-operative, thus set the basis for endeavours being initiated or taken by co-operative institutions worldwide. This, in effect, also dictates the need for refinements in existing programs already set by the ICA Regional Office for Asia and the Pacific.

One such program is on Policy Development and Legislation. The ICA Regional Office for Asia and the Pacific has been proactive in bringing together Co-operative Ministers to discuss the dominant issue of "Cooperative Movement-Government relationship" ever since the first Conference that was held in Sydney in 1990. Co-operative legislation of countries in the Asia Pacific region were reviewed and

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assessed, and weighed against co-operative values and principles to bring about reforms. The second Co-operative Ministers' Conference was held in Jakarta in 1992, at which the legislative and policy agendas were once again assessed, and this time enriched by discussions on the issue of environment and sustainable development. The most recent one was held in Colombo in 1994, during which the legislative questions were addressed in conjunction with the issue of Co-operative Competitive Strength.

At this juncture ICA ROAP is gearing up to hold the Fourth Ministerial Conference in early 1997 in Chiang Mai. It was felt that issues on legislation and on government-movement relationship are as much relevant today as they were in 1990 during the Sydney Conference. The issue of Competitive Strength, however, is fast becoming fashionable and current, as it affects many co-operatives in the aftermath of the GATT agreement and the emergence of APEC, AFTA and other regional trade groupings, especially in the Asia Pacific region.

With the rise of globalization, liberalization, and regional economic alliances, governance will gradually take another form and meaning. The new paradigm ought to set governments more as agents of empowerment rather than custodian of co-operatives. But have governments in the Asia Pacific region actually adjusted their



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policies in response to current co-operative needs ? Is the Co-operative Identity commonly perceived by both government and movement in an effort to adapt to the new changing environment ? Are laws and legislation amenable to empowering the new Co-operative Identity ? What type of entrepreneurial and corporate culture need to be set in place in order to preserve the co-operative identity and yet be competitive at the same time ? A manifesto for change seems to be the compelling need these days.

The above questions are reverberating among co-operative leaders and governments alike owing to their keenness to see co-operatives flourish amidst the wave of market-oriented economies and recent political reforms taking place in many countries in this region.

Given the shift of paradigms in governance and economic competition, ICA ROAP is determined to engineer a more realistic approach to addressing the issue of legislation and competitive strength in its forthcoming "Chiang Mai Conference" in early 1997. Rather than simply conducting a series of workshops and a regional consultation prior to the Ministers Conference as was the case in previous occasions, ICA ROAP feels the compelling need to undertake a critical and thorough study on both the Legislative and Competitive Strength agendas. Such a study avoids



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cooperators and governments to "shoot off their hips" by merely discussing issues academically or subjectively in these workshops. Instead, the study seeks to recognize existing realities in the co-operative movement/ system, and will attempt to pose recommendations based on hard facts, credible sources and objective observations. It will allow cooperators and ministers to take a harder look at the "real" co-operative picture in this region when challenged with unbiased recommendations in two Symposia and one Regional Consultation that will precede the Ministers Conference itself.

## **2. SCOPE OF EVALUATION**

### **2.1. RATIONALE**

Two crucial principles adopted by the ICA Congress and General Assembly in Manchester are : (a) Member Economic Participation, and (b) Autonomy and Independence. The first one is a clear reinterpretation of the previous principle on "Limited Interest on Capital" and the latter, though not new to the co-operative movement, has been defined explicitly as a new principle.

The principle of "Autonomy and Independence" is key to determining the required shift in governance by governments and in raising capital for the co-operative. As



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autonomous and self-help organizations, co-operatives are controlled by their members. When co-operatives enter into agreements with external sources and organizations, particularly governments, or when they raise capital from outside sources they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy and independence. The study seeks to determine the extent to which legislation and policies of various governments in this region still "control" rather than "facilitate" or "enable" co-operatives to strengthen their autonomy and independence.

The principle of "Member Economic Participation" is key to determining co-operative competitive strength. Members contribute equitably to, and democratically control, the capital of their co-operative. To what extent is capital the common property of the co-operative? Many co-operatives are losing their identity because of external pressures to become capital-driven organizations almost similar to private business corporations. The study seeks to ascertain the extent to which (sampled) co-operative organizations in South East Asia and South Asia are able to compete in the market place while at the same time retain their identity as a "Co-operative" as adopted by the Manchester Congress.



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In addition to the challenges posed by the above principles, it is also fitting to study the impact generated by past conclusions and recommendations of the Ministers Conferences since the first one held in Sydney in 1990, and the changes that have taken place as a result.

## 2.2. OBJECTIVES

Objectives of the Critical Study are as follows :

**To produce a Critical Study Report which will assess the following areas of concern in terms of impact and changed positions of co-operatives in the Asia Pacific Region, and identifying lessons learned.**

- 2.2.1. To determine the extent to which legislation and policies of various governments in the Asia Pacific region still "control" rather than "facilitate" or "enable" co-operatives to strengthen their autonomy and independence;



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- 2.2.2. To ascertain the extent to which (sampled) co-operative organizations in South East Asia and South Asia are able to compete in the market place while at the same time retain their identity as a "Co-operative" as adopted by the Manchester Congress.
  
- 2.2.3. To carefully assess the effectiveness, deficiencies, risks and existing potential of Financial and Banking Co-operatives in select countries in Asia;
  
- 2.2.4. To carefully assess the effectiveness, deficiencies, risks and existing potential of co-operatives involved in Agri-Business, including - but not restricted to - property rights, agricultural processing and marketing in select countries in Asia;
  
- 2.2.5. To study the impact generated by past conclusions and recommendations of the Ministers Conferences since the first one held in Sydney in 1990, and the changes that have taken place as a result.

### 3. CONDUCT OF THE STUDY



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### **3.1. Methodology**

The study will be based on interviews with co-operative leaders from the co-operative movements and relevant government officials from select countries namely Indonesia, the Philippines, Malaysia, Thailand, Singapore, Sri Lanka and India. Official documents and literature of ICA ROAP will be consulted to represent the frame of reference. Measurement of study variables and relevant sources of data, documents, and key informants will be identified and reviewed.

Where feasible, a questionnaire will be employed to source and gather important data and information from ICA members in the Asia Pacific Region.

As well, relevant, and available records, reports, data and statistics on co-operative development in the above select countries in Asia will be examined in the process, and utilized in the final report, to authenticate findings and conclusions.

### **3.2. Study Team**

The team will be composed of two main consultants, one from Indonesia and one from the Philippines. Both consultants will have proven expertise in undertaking in-depth studies on co-operative development but should not themselves be actively involved as directors or employees in co-operative development work at the moment in order





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to ensure objectivity. The study will be carried out through joint management by the study team, and the main team will be responsible for the coordination, integration, summary and syntheses of all study inputs and outputs. The results should reflect a consensus of opinions and recommendations of the main study team.

### **3.3. Management**

ICA ROAP, represented by Drs Robby Tulus as Project Director of PDLP, will assume overall management responsibility for the critical study and work with the study team in the planning and reviews of the TOR, Workplan, and outputs of the study. ICA ROAP will also prepare the necessary letters of authorization to the Study Team to enable them to set appointments with ICA members in the region.

When and where required, part-time consultants will be hired on a case to case basis to supplement data, information, and analyses, at the overall direction and supervision of the Study Team.

## **4. PRODUCTS OF THE CRITICAL STUDY**



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#### **4.1. OVERALL WORKPLAN**

The Study Team will produce a detailed workplan on the basis of the above Terms of Reference.

The overall Workplan, which will serve as a general guide will be as follows :

1. **March 01 - 02** : **Briefing and finalize detailed workplan with the Study Team in Jakarta, Indonesia;**
2. **March 04 - 15** : **Study proper : Indonesia**
3. **March 25 - 26** : **Study proper : Singapore**
4. **Mar 27 - Apr 2** : **Study proper : Malaysia**
5. **April 18 - 24** : **Study proper : Thailand**
6. **Apr 25 - May 7** : **Study proper : Philippines**
7. **May 09 - 25** : **Report consolidation.**
8. **May 27 - 30** : **De-Briefing of Draft Report and preparation of final report in Manila.**
9. **May 31** : **Submission of Final Report to ICA.**



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- Note : a) Sub Consultants for Sri Lanka and India will be identified and recruited by ICA ROAP in New Delhi under the overall direction of the Regional Director.
- b) Trips will be made simultaneously by the Study Team, with a minimum overlap of four days.

The following members and government agencies are to be visited :

1. Indonesia : DEKOPIN and select members  
Ministry of Co-operatives and Small Business Enterprise.
2. Singapore : Singapore National Co-operative Federation (SNCF), and  
NTUC Income.
3. Malaysia : ANGKASA, MCIS, and MCCS.  
Jabatan Pengurus Koperasi (Department of Co-operative  
Development) and the Co-operative College of Malaysia.
4. Philippines : CUP, NATCCO, FFFCI.  
Co-operative Development Authority.



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5. Sri Lanka : NCC, SANASA, MPCS.  
Ministry of Co-operatives, and Department of Co-operative  
Development.
  
6. India : NCUI, NAFED, IFFCO, FISHCOPFED, NFUCBCS.  
Ministry of Agriculture and Co-operatives.

As scheduled in the Workplan above, verbal and/or written reports will be made to update the coordinator/ICA ROAP on the progress of the Critical Study.

#### 4.2. STUDY REPORT

Study report should contain at least, hence not restricted to, the following :

1. An introductory section : overall background of co-op environment in the Asia Pacific region;
  
2. A narrative section : chronology of significant events and key persons & organizations involved in conceptualization of study;



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3. An analytical section : impact, lessons learned, findings, and changed scenario/condition following the three Co-operative Ministers' Conferences, with special emphasis on legislation, policies, co-operative finance/banking, and agri-business development.
4. Conclusions and recommendations : synthesis of findings and assessment of issues and survey results to present study team views on ICA ROAP's capabilities in initiating and organizing the Sydney, Jakarta, and Colombo Conferences, including its follow up action plans, and potential outgrowth of the upcoming events leading to the Chiang Mai Conference.
5. An Executive Summary of not more than 4 pages.

(Second Draft)

Prepared by : Robby Tulus

Manila, January 28, 1996.

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