

**Report of the Special Workshop
on the ICA Co-operative
Identity Statement
– From Theory to Practice**

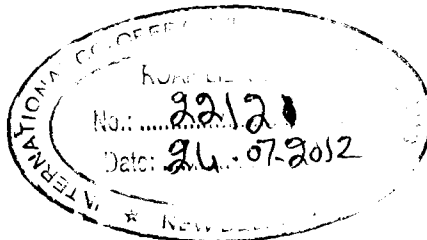
Jaipur, August 17-21, 1997

**International Co-operative Alliance
Regional Office for Asia & the Pacific, New Delhi**

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International Co-operative Alliance
Regional Office for Asia & the Pacific
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Contents

Strategies and Guidelines for Incorporation of ICIS	9
The ICA Cooperative Identity Statement : From Theory to Practice – An Overview by Robby Tulus	15
Understanding the ICA Co-operative Identity Statement by Ian MacPherson	19
Co-operative Identity and Co-operative Management by Peter Davis	32
Are Co-op managers servants or leaders? by Peter Davis	39
Towards a Value-Based Management Culture for Membership-Based Organisations by Peter Davis	42
The ICA Co-operative Identity Statement (ICIS) : Experience in Australia by Garry Cronan	60
Action Plan for Actualisation of Cooperative Identity Statement by B.D. Sharma	62
Principles of Cooperation into Practice – IFFCO Experience by Virendra Kumar	90
The Practice of the ICA Cooperative Identity Statement (ICIS) in Indonesia by Ibnoe Soedjono	101
Relevance of the ICA Co-operative Identity Statement to Consumer Co-operatives : Japan by Akira Kurimoto	110
Agricultural Cooperative's Activities for Sustainable Development of Community in Korea – Practices evolved from the ICA 7th Principle by Kyou-Bo Shim	124
The ICA Co-operative Identity Statement : From Theory to Practice Experiences in Malaysia (ANGKASA) by Nasir Khan	132

Co-operatives as the Third Force in the New World Order : Experiences in Philippines by Edgar V. Comeros	144
ICA Co-operative Identity Statement and the Co-operative Identity Crisis : Experiences in Singapore by Kelvin Quah	151
Relevance of the ICA Cooperative Identity Statement : Experiences in Vietnam by Nguyen Dac Thang	155
Speeches and Inaugural Address	161
Programme	172
List of Participants	175

Foreword

The Special Workshop on "*The ICA CO-OPERATIVE IDENTITY STATEMENT (ICIS) - From Theory to Practice*", organized in Jaipur from August 17-21, 1997 was a first attempt to discuss the extent to which co-operatives in our region have put the Co-operative Principles into practice, and what progress – or the lack thereof – has been achieved as a result. The process by which the workshop was conducted was as important as the subject itself. The workshop tried to introduce a non-traditional method by way of a more unstructured approach.

The presence of eminent speakers such as Dr. Ian MacPherson and Dr. Peter Davis, who introduced their subjects by inducing more discussions, was indeed refreshing. It created a soul-searching exercise rather than just simple exhortation or expert-led. What came as a result was a deeper understanding of the ICIS as a concept of guidelines. Dr. MacPherson clearly spelled out the need to search deeper into the interplay of three spheres, i.e. Members/Community, Management, and Structure, and how practicing ICIS require the prudence of adjusting any of the, or all, spheres to better promote and practise the distinct identity of co-operatives. It defies the old concept of making principles an amalgam of (rigid) rules.

The introduction of Dr. MacPherson was enriched by Dr. Peter Davis who saw the absence of the "management" principle, or where the enshrinement of professional management is considered more indirect or subdued than it is direct, and hence could create a dangerous disconnection of co-operative values and management.

The indigenous concept of the three spheres in understanding ICIS introduced by Dr. MacPherson, and the need for embodying Value-Based Management as introduced by Dr. Peter Davis, created the necessary impetus for discussing issues in a more substantive yet practical fashion.

While country reports were presented in a more conventional

manner, the break out sessions were more genuinely unstructured and led to a much deeper examination of how the ICIS has been practiced in different countries within this region and beyond.

The *initial guidelines* presented in this report, as being the prime result of the Special Workshop, has yet to be adopted by the ICA Regional Assembly for Asia and the Pacific in October 1998, and must be further refined on account of the fact that discussions were intense and time was ultimately too short to synthesize all views comprehensively. But it will definitely augur well as an initial guideline for co-operative development in this region so that practical implementation based on these guidelines can be further reviewed and renewed during the Regional Assembly in Seoul, Korea, in October 1998.

Our special thanks go to our guest speakers, all participants from 10 ICA member countries, and to the State Government of Rajasthan, who participated so actively and also took their time and made their way to the historic city of Jaipur. We owe our deep gratitude to the CCA, DID, NACF, NCUI and IFFCO for their tremendous contribution to make this event an educational one that will have far reaching impact on co-operative organizations in this region, and hopefully those in other regions too.

Robby Tulus

ICA Regional Director
for Asia & the Pacific

**STRATEGIES AND GUIDELINES FOR
INCORPORATION OF ICIS**

**A Conclusion of the Special Workshop
held at Jaipur from 17-21 August 1997**

STRATEGIES AND GUIDELINES FOR INCORPORATION OF ICIS

Preamble

Participants of the Special Workshop on the ICA Co-operative Identity Statement (ICIS) : from theory to practice, held in Jaipur from August 17 to 21, 1997, agreed to implement the following guidelines as a manifestation of their commitment to the ICIS.

It is understood by all participants that the ICIS is not a rigid framework, hence flexibility in interpretation of the principles can be justified. As well, the diversity of the Asia Pacific region may cause the implementation of the ICIS to take different forms. The Workshop took cognizance of the fact that many countries with transitional economies require special consideration in implementing ICIS.

It was agreed, however, that the following guidelines for implementing ICIS should be applied to the extent possible.

The three spheres in which the ICIS must be implemented are : (a) Members and Community, (b) Management, (c) Structure. The fourth sphere, which is "State and Movement relationship", is also critical to enhance the effective implementation of ICIS.

Members and Community

1. Co-operatives should meet members' needs in a systematic and inclusive manner.
2. Co-operatives should expand the possibilities for co-operative action to informal groups such as :
 - (a) self-help groups

(b) Women's groups

(c) Youth, etc.

3. Co-operatives should devise mechanisms for providing information to and consultations with members and prospective members.
4. Co-operatives should work towards enhancing members' understanding and appreciation of the nature of economic participation and democratic control.
5. In the light of changing environment, the distribution of powers between the General Body, Board and Management should be reviewed and should in all cases be understood by all.
6. Co-operative business should be conducted ethically and with due regard to Co-operative Principles and Values.
7. External experts should be included in the board, when and where appropriate.
8. Members should recognize the importance of electing board members with sufficient business know-how.
9. An effective implementation of the Principles and Values pre-supposes an understanding of the constraints and problems hindering the application of ICIS.

Relations with the Government

1. Co-operatives should sensitize and initiate a dialogue with political leaders to create an understanding and appreciation of the ICIS.
2. Co-operatives should work towards the incorporation of ICIS in the school curricula.
3. Relationship with governments will vary from country to country but should at all costs avoid creating a culture of dependency.

Structures

1. Given the changing socio-economic environment today and the increasing need to be cost effective, co-operatives should be open to create and renew organisational structures.
2. Search out new economic opportunities, which provide additional and improved services for members and at the same time conforming with co-operative values.
3. Translate and incorporate co-operative principles and values into the commercial transactions of co-operative organisations (e.g. responsible marketing strategy).
4. Select and develop value-based professionals for co-operative management.
5. Personnel management policies be devised in such a way as to ensure cross-fertilization between professionals from within and without.
6. Create strategic alliances with other business organisations, preferably co-operatives, so as to strengthen co-operative business, without losing sight of co-operative values.
7. *Subsidiaries of co-operatives should not be in conflict with the ICIS and co-operatives should take steps to control the subsidiaries so that the profits goes back to their members.*

**PRESENTATIONS
DURING THE WORKSHOP**

The ICA Cooperative Identity Statement : From Theory to Practice - An Overview

by Robby Tulus
ICA Regional Director for Asia & the Pacific

Introduction

The ICA Cooperative Identity Statement (ICIS) - embracing the definition, values, and principles of a cooperative, was adopted by the ICA Centennial Congress in Manchester in September 1995. Two years have lapsed, and feedback received from members organisations as to how the ICIS has been practiced show an interesting variable. Some have proactively translated the ICIS into their local languages, and disseminated these to their members. Some have integrated ICIS into their training modules, and train members and leaders about virtues. Some have reviewed their respective cooperative legislation and advocate the need to incorporate the ICIS into their existing cooperative law. Some have taken the new cooperative principles enshrined in the ICIS for strengthening the economic performance of cooperatives.

Whatever the mode of employing ICIS into strengthening the operations and organisation of the cooperative, their efforts are persistently controverted by the challenges posed by current global megatrends. Market expansion due to capital and resource inflows in this region is likely to converge towards those patterns established in industrialised countries. Unlike industrialised countries, however, kinship ties in Asia may remain much more important. As a consequence, demands for social service may grow along with the demand for state provision of social safety nets.

This phenomenon places cooperatives in a crucial dilemma because coops will have to adjust to both their requirements as well as social dimension within the socio-economic and political context they are operating. It begs the question : how can cooperatives compete with transnational companies – which have the flexibility to make quick transformation of their management teams to more streamlined management structures and become more efficient and effective – and yet continue to perform as member-driven institutions and preserve its socio-economic character? What type of management and organisational renewal has worked? But more importantly, how

can members be empowered and be subjects for these renewal processes? How can we avoid the “corporate trap”, hence not to get converted into money-minded corporate structures of the private sector? How can we do better than the private sector, since coop is not just an enterprise but actually the “first enterprise” which succeeded to live on.

The above, and many more penetrating questions, reverberate among cooperative leaders in this region. It mirrors the strong belief of coop leaders in the ICIS, and their eagerness to learn more from other leaders what strategies are being employed to keep the cooperatives not only competitive but also sustainable in the long run.

It is thus incumbent upon the ICA ROAP to bring together cooperative leaders from its membership in the Asia Pacific Region, along with international organisations and other special invitees, to cross fertilize the experiences gained over the past two years in understanding the ICIS and applying it in the actual operations of the cooperative at all levels.

Workshop Objectives and Outputs :

The following summary will provide the framework for discussions in this workshop (overhead projections) :

Co-operative development efforts are persistently challenged by forces that are both external and internal.

External forces, such as :

- a) Globalization driven by open markets and liberalized economy (what does it mean in terms of making co-ops competitive and increase “member economic participation”, as well as ensuring “democratic member control”?);
- b) Difficult relationship between the co-operative movement and their respective governments, especially in developing nations in Asia. (what does it mean in terms of the principle of “Autonomy and Independence”?);
- c) Rise of consumerism and modern lifestyles bringing increased individualism and selfish interest (what does it mean in terms of “concern for community”, and the values of social responsibility and caring for others?)

Internal forces, such as :

- a) Strained relationship between volunteers leadership and busi-

ness professionals in the co-operative organization (what does it mean in terms of the values of self-help, self-responsibility, equality, equity, and solidarity, and in ensuring “democratic member control”?)

- b) Internal politics, jealousies, and power seeking tendencies which make the implementation of “Co-operation among co-operatives” difficult.
- c) Technological advancements that require changes in the way “education, training, and information” are imparted to co-operative members, officers, and employees.

Hence the need for a paradigm shift.

Objectives

- To reach a common interpretation and understanding of the ICIS among ICA members in this region;
- To examine the relevance of the ICIS in the context of the changing socio-economic environment in this region;
- To formulate guidelines to make co-operatives more competitive without losing their identity.
- To offer an input to ICA ROAP for its strategic long term planning exercise.

Outputs

Objective 1 :

To reach a common interpretation and understanding of the ICIS among ICA members in this region;

Output

Workshop report must stress common understanding on ICIS, and widely distributed to member organizations for due application.

Objective 2 :

To examine the relevance of the ICIS in the context of the changing socio-economic environment in this region;

Output

Workshop report on the critique of ICIS in the current changing

socio-economic environment as practical reference for member organizations.

Objective 3.:

To formulate guidelines to make co-operatives more competitive without losing their identity.

Output

Set of (draft) practical guidelines showing clear and systematic ways by which the ICIS can be incorporated into policies and strategic plans of co-operatives.

These draft guidelines will be submitted for further deliberation at the ICA Regional Assembly in Seoul, Korea, in October 1998.

“Understanding the ICA Co-operative Identity Statement”

Ian MacPherson

Dean of Humanities, University of Victoria
Victoria, British Columbia, Canada

Nearly two years ago, in September, 1995, the International Co-operative Alliance, at its Manchester Congress, adopted a reformulation of the basic principles upon which co-operatives around the world are based. It was the culmination of a lengthy process that had begun seven years earlier. The first part of the process, led by Mr. Sven Akë BööK of Sweden, had explored the values upon which co-operatives around the world traditionally have been based. That phase of the work was completed at the Tokyo Congress of 1992. The second phase of the process, involving thousands of co-operators around the world, was completed between 1992 and 1995; its main achievement was the adoption of “a co-operative identity page” that sought to describe the essence of the co-operative way at the dawn of the twenty-first century.

Why were Changes Necessary ?

There were eight main reasons for the reformulation of the principles.

1. *Rapid change in Central and Eastern Europe* : By 1988 it was becoming clear that major economic/political changes were sweeping the countries then under the control of the Union of Soviet Socialist Republics. Those changes particularly affected co-operatives because the Soviet-style regimes had used co-operative forms (if rarely co-operative practice) to carry out some of their major economic and social policies. As the Soviet countries moved towards market economies, it was vitally important that a clear vision of the distinctive qualities of co-operative enterprise be communicated to co-operators and government officials in those nations.
2. *Malaise in Co-operative Movements of Western Europe and North America* : The established co-operative movements of western Europe and North America found themselves confronting a rapidly-changing economic situation. While some segments of the movement

were thriving amid these changes others were not: they were struggling against increased competition, a growing need for substantial new capital in order to survive and a declining level of support from governments. Perhaps most seriously, a significant percentage of the co-operative leaders were losing confidence in the efficacy of co-operative enterprise while memberships seemed increasingly unaware of the possibilities of co-operative action. A reconsideration of the principles and a clear statement of the possibilities of co-operative action could be helpful in overcoming this negative situation.

3. *The uneven record of co-operative development in Africa* : Co-operative organisations and development agencies had placed considerable emphasis on the development of co-operatives in Africa since the 1960s. While there were several outstanding examples of success, there were numerous disappointments, largely because of the traumatic economic changes the continent had seen during the 1980s. There was, therefore, a need to cultivate a renewed commitment to co-operatives among many African co-operators.

4. *The dynamic growth of Asian and Latin American co-operative movements* : Many of the most positive developments within the international movement in recent decades has taken place in Asia and Latin America. There was a need to understand the nature of these successes; to “globalize” the principles (a most difficult undertaking); and to listen more carefully to the voices invigorated by their accomplishments.

5. *The changing role of the state* : The relationship between the state and co-operatives has always been – and always will be – important. In many of the industrialized societies, in both the North and the South, the role of the state began to change significantly during the 1980s. Government support for social and agricultural programmes in which co-operatives were deeply involved began to lessen. Popular support for the welfare state, a central commitment in many nations following World War II, weakened.

These changes challenged the basis on which many co-operatives had been organized; they also opened substantial opportunities as the need for co-operative, community-based options arguably became more important. If those changes and opportunities were to be seized, however, there was a need for a clear understanding of the relationships between co-operatives and the state and for the ways in which co-operatives, particularly social co-operatives, could respond to contemporary needs.

6. *The need for capital* : Regardless of size, business interests and geographical location, many co-operatives were facing the need for raising more capital as the 1980s drew to a close. It was apparent that the traditional co-operative way of raising capital – from members – had been rarely pursued diligently and continuously. As a result, member investment in co-operatives had not kept pace with their growth; in some instances, it was doubtful that member investment could meet the needs. As a result, many co-operatives started to experiment with their capital structures, all the way from joint ventures with other co-operatives and private firms to offering shares on the stock markets. The question that inevitably resulted was the way in which new capital alternatives interfered with, even undermined, traditional co-operative control structures. For that reason, the revision of the principles advocated an emphasis on indivisible capital and a commitment to the autonomy of co-operative organisations.

7. *The evolving nature of co-operative enterprise* : One of the common misconceptions held by many co-operators is that the organisational structures, business focus and institutional culture of co-operative organisations remains essentially unchanged over time. Another is that co-operatives must be essentially the same regardless of the kinds of social and economic services they provided to their members. A more accurate picture is that co-operatives change in their structures, foci and culture as they adapt to changing member needs, new technologies, new management theories, the pressures of competition and government regulation. In other words, co-operatives are always caught up in the “act of becoming” rather than in achieving the state of “having arrived”.

The continual process of change can be disturbing to some co-operators : for example, those who envision the perfect or ideal co-operative; those who have a deep reverence for what the founders – be they the Rochdale pioneers, Raiffeisen, Kagawa, Nehru or Plunkett – have left to us; and those who consider the principles more as injunctions rather than enabling directives.

Moreover, co-operatives serve their members and their communities by working within three different but inter-related frameworks: member relations, managerial practices and organisational structures. Each of these frameworks has its own priorities; all must be synchronized with each other, creating the essential challenge for those accountable for the operation of any co-operative entity.

Much like the revisions of principles completed in 1937 and 1966, those of 1995 were the consequence of the evolving nature of co-operative enterprise. They were the results of one generation's attempt to use the enduring basic values of co-operative thought and action to create a set of principles that could serve as empowering guidelines for co-operators confronting contemporary realities.

8. *ICAs role as the defender of co-operative values and principles* : Since its creation in 1895, the International Co-operative Alliance has had the primary responsibility for the definition of the nature of a co-operative. That has not been an easy task because of contending national views of the essence of co-operative organisation, because of the impact of differing political ideologies and because of the complexity of the variety of co-operative enterprise. During the late 1980s, however, because of the factors listed above, there was an opportunity to discuss openly issues entwined in the co-operative identity – such as the role of the state – that had been difficult to address in the preceding years. It is a tribute to the leadership of the ICA, particularly Lars Marcus, Bruce Thordarson and the Board, that the opportunity was seized to elaborate the co-operative values, to redefine the co-operative principles and to project a co-operative vision for the next century.

What were the Key Changes that were made ?

1. *Addition of a definition.*
2. *Statement of values on which co-operatives are based and in which co-operators particularly believe.*
3. *Co-operatives will not discriminate on the basis of gender and social characteristics (added to the previous list which included race, religion and politics).*
4. *Increased emphasis on the accountability of elected leaders.*
5. *Increased emphasis on member economic participation.*
6. *Encouragement of formation and expansion of indivisible reserves.*
7. *Necessity of autonomy of cooperative organisations.*
8. *Need to inform opinion makers about the nature and benefits of co-operation.*
9. *Increased emphasis on co-operation among co-operatives on the international level.*
10. *Articulation of concern within co-operatives for the sustainability of the communities in which they operate.*

What were the Important Elements in the Approach that was taken?

1. *Including all kinds of co-operative activities* : The co-operative movement can be divided into different sectors by the nature of the businesses in which they are involved. Those sectors – the consumer, worker, agricultural and fish marketing, banking and service movements – form the five great traditions, all of which had their origins in Europe in the nineteenth century, all of which have been developed around the world, taking on different characteristics and objectives depending upon the societies in which they have emerged.

Regardless of where they have developed, each of the sectors has tended to develop its own culture, methods of applying the principles, interpretations of values and unique sets of needs. In many countries, these distinctive characteristics have produced national movements that are not as integrated as one might wish. Other factors in some countries have also inhibited unity: sometimes, the tendencies towards disunity emerged from rural/urban splits or political differences; in other instances, the divisions had their basis more in ethnic identities or different rates of growth.

Historically, the ICA had demonstrated an imbalance of commitment and perspective to the consumer movement, an understandable development given the importance of the Rochdale British experience in its early years. The 1966 reformulation of principles had sought to rectify the balance somewhat; the 1995 carried that approach even farther.

Why is it important to give due recognition to all the sectors? First, if there is going to be co-operation among co-operatives, one of the key principles, it can only be if the legitimacy and potential for all kinds of co-operatives are recognized. Second, the movement has always shown a remarkable capacity to adapt to different situations and to forge new alternatives; one of its strengths has always been its capacity to find new forms of organisation and new needs to serve. Most particularly, in the modern era, it is important that the movement be sensitive to its full range of possibilities; the most important co-operatives for the future may not have been invented; the sources for the most important new initiative anywhere around the globe.

2. *Including all global traditions* : Many people talk about globalisation. Some people argue for thinking globally and acting locally. Such facile references to a new mode of thinking belie the

complexity of doing so. It is desperately difficult to rise above the understanding we have from our own context and cultures; it is perhaps a way of thinking that will be widely possible only after the passage of generations – even though we have been interdependent as a global society for a very long time.

Within the co-operative world, the challenge of developing a global perspective has been evident for a long time. Arguably the original co-operative impulses emerging from Europe in the nineteenth and early twentieth centuries carried with them implicitly at least, and often quite overtly, an international perspective: for the most profound co-operative theorists and leaders, the object was always to create a more co-operative *world* and not just a more co-operative community or a better-off membership.

With all the good will it is possible to muster, however, the original perspectives were profoundly European in origins, theory and sentiment. Even the concept of democracy that came to infuse the European movements – and still are easily discernible in the international movement – was drawn from the theories of democracy dominant in Europe during the nineteenth century. It is not unimportant or coincidental that John Stuart Mill, one of the great liberal democratic theorists of the nineteenth century, played a significant role in developing the legislative framework upon which the British movement came to rest.

Moreover, it is deceptively easy, especially for Europeans and North Americans, to place great emphasis upon the efforts they have made over generations to export co-operative forms and practices to other parts of the world. For understandable reasons they are proud of what has been accomplished. In doing so, however, they can underestimate what other peoples have accomplished and, in fact, miss the point that co-operatives assume significance only if they are embraced by the people they serve within their own set of priorities and their own ways of knowing. Thus, each movement, unless it is artificially forced by governments or poorly-conceptualized development programmes, has its own inner strength, organisational dynamics and underlying philosophical positions.

Thus, in the task of thinking globally and understanding internationally, co-operators around the world will have to open their minds to differences and be willing to challenge the tendency to believe in the superiority of their own formulations.

The 1995 Identity Statement, through its reconfiguration of

principles and, perhaps most importantly, identification of co-operative values, sought to reach a better international perspective. The accompanying statement on the apparent possibilities for the next century also sought to achieve something of a global point-of-view. As the work of a specific group of people using the best but still limited process available, these documents are nevertheless only the beginning of what will be one of the most important challenge confronting co-operative thinkers in the years ahead.

3. *The concept of guidelines* : One of the most important aspects of the identity page was the concept that the principles are guidelines. Some might think that this means that they can readily be dismissed if they are not conveniently applicable. That is not the case.

Co-operatives function both in the world of ideas in the world of every-day life. They always manifest – and should manifest – a continual struggle between what is desirable and what is possible. They require a careful evaluation of what they are doing at any given time. They raise equally the question of how they can better carry out their work in conformity with the directions suggested in each of the principles; they also raise the challenge of how they conform with the directions and practices suggested by the integrated application of all the principles.

The principles, then, are not simply measuring sticks. They are guidelines that require co-operators continuously to evaluate their co-operatives, to foster member interest and responsibilities and to consider how they might enhance the effective “co-operativeness” of their organisations.

What that means is that co-operators should not expect that their co-operatives will ever achieve perfection; that there is any reason to be satisfied with what has been, or is being, accomplished. Equally, though, they should take great pride in the ability of co-operatives to address major questions, to grow and to change.

That is partly why I am particularly pleased that the movements in Asia are considering what the revised principles mean for their organisations. I think that is carrying out the intent of the “guidelines” concept. I would simply urge that you not think that this is an activity that will have some clear end-point. It should not and, if your movements are to gain the benefits that truly alive principles can provide, they will not.

What are the Key Issues ?

1. *State relations* : As mentioned earlier, the changing role of the state had partly led to creation of the co-operative identity page. Indeed, some people seemed to think that the consequent issue of state relations had suddenly become important because of the disintegration of the USSR and the ideological changes sweeping the liberal democratic societies.

That is not true. In the final analysis, it was not so much the result of a dramatically new issue as it was an expanded opportunity to reconsider what had always been a major issue for co-operatives, albeit one that had been less considered in the older northern movements in recent years.

From one perspective, the essence of co-operativism is people working together in a self-reliant, self-controlling and self-responsible way to provide for themselves and to control better their own destiny. Despite the wishes of some, they do not do so in a vacuum, if only because their actions are governed by the regulations and policies of the state in which they function.

Moreover, virtually all co-operative movements start with the assistance of networks of supporters, often enough government departments. That means that at certain periods of their history most co-operatives have close ties to governments: for example, through reliance on them for training or protection from more powerful competition (especially in the early days of their operation) or for necessary financial support. Those ties can often be perpetuated by co-operators wary of cutting ties with governments and by public servants desiring to maintain their roles for personal or altruistic reasons. Such situations can be found in all parts of the world, but they are arguably more obvious in the developing countries.

The challenge we face then is how to answer the old question of: "What is the desirable relationship between co-operatives and the state in contemporary contexts?" There will not likely be a simple or a universal answer. The direction implicit in the revised principle though is towards maximum autonomy, towards control by members, towards genuine accountability to the members by those responsible for the operation of their co-operatives. In situations where that direction is not evident in how co-operatives function then, I would suggest, the challenge is how to move that way in as controlled, clear and forceful manner as possible. That is why, I think, the initiatives undertaken by the ICA Regional Offices for Asia and the Pacific in

its series of ministerial conferences is so important; that is why the recent publication *Critical Study on Co-operative Legislation and Competitive Strength* deserves wide discussion, both within Asia and elsewhere.

Another direction that is obvious in the reformulated principles is the guideline that co-operatives enter into agreement with governments in such a way that ensures democratic control by the membership. That is not a direction that can be easily followed: it requires careful assessment of all possibilities, the willingness to turn some of them down and the exercise of a judgement as how best to ensure member control in those opportunities that are pursued.

The importance of giving new and continuing thought to the field of government relations can hardly be overemphasized. Contrary to what is argued in some circles, the diminishing role of the state opens up numerous issues about how communities around the globe are going to deal with issues of social needs, economic disparities, social justice and resource management. The capitalist model may provide answers to parts of these issues, but it will not satisfy them all. The co-operative model will become increasingly important, but it will do so in collaboration with the state and perhaps, in some instances, with firms controlled by capital.

In the restructuring of our societies that appears to be underway, there is considerable space for collaboration, for partnerships with governments to create societies that are committed to delivering excellent services to the people based on clear lines of accountability and measures of user control, two of the qualities co-operatives possess simply because of the structures they employ.

2. *Relations with the private sector* : One of the most controversial trends evident in co-operative circles around the world is an increasing homogenisation of legal structures and methods of operation with those typical of private corporations. In some instances, particularly in the financial world, this trend is encouraged by governments desirous of simplifying regulatory procedures. In others, it is the result of increased demand for capital, advantageous partnerships and the prevalence of management models drawn from the private sector.

Among the subsidiary issues that arise the following are particularly obvious. How to compete with private companies in capital markets? How to develop managerial approaches specifically appropriate to co-operative enterprise? How to resist automatic

acceptance of the evaluation procedures and business norms of the much more powerful private sector? How to sustain a co-operative culture within co-operatives largely driven by the conventional market place? How to maintain proper balance within the three spheres of cooperative endeavour – fostering effective membership, increasing managerial competence and developing appropriate structural relationships among co-operative organisations?

3. *Member economic participation* : One of the more obviously-important changes in the principles was an emphasis on increasing member economic participation. This change was included in the belief that too many co-operatives had ignored this vitally-important aspect of the member-cooperative relationship. All too often, co-operatives had assumed a rather passive approach to the member relationship, typically in the belief that all that was essential for cementing the bond was providing good service at competitive costs with, if possible, a patronage dividend. As important as these elements of the membership bond are, they are not all that is required in a well-functioning co-operative: the other parts are a sense of ownership (as well as the reality of ownership) and continuing member economic participation.

This emphasis will require careful rethinking of membership responsibilities by most co-operatives and it will not be easy: it will challenge some of the ways of dealing with capital commonly used by co-operatives. What are the most difficult problems created by this more strongly-stated objective? Are there new ways we can attract more financial support from our members?

4. *Involving More Women* : The co-operative movement has for too long been a giant standing essentially on one leg. It has under-utilized women in its board and management structures. It has not listened carefully enough to the needs and demands of women. As the roles of women change around the world, will the co-operative movement be in the forefront of that change? Will it merely follow the lead of others or, even worse, avoid the challenge and miss the opportunities by merely patronizing half the population?

In this respect, while there is every reason to continue the efforts on gender issues so well begun, it is also important to point out and to celebrate the remarkable strides that have been taken in this region. If the tests are “Have you examined the realities?” “Have you looked at possible improvements?” “Have you successfully implemented some of the alternatives?” Then you have been carrying out the kind of continuing dialogue between current practice and

desired improvement that is suggested by the concept of guidelines. The resultant issue, though, is: What comes next?

5. *Enlisting Youth* : If the process of reinventing the meaning of the principles is unending, so too is the challenge of enlisting young people. This has been a perplexing issue for co-operatives both within and without Asia for many years. The recent accomplishments in the region, however, suggest that progress is being made and some ways of ensuring the transfer of our movement to the next generation have been found.

6. *Community* : The seventh principle of the 1995 statement draws attention to the responsibility co-operatives have for the health of their communities. Once again, the direction is what is of first importance. The principle calls upon co-operatives to work with their members for the sustainable development of their communities. Beyond that, it is up to co-operatives and their members to define their communities and to decide upon what is appropriate to undertake.

What are some of the best examples of how co-operatives currently enhance the viability of their communities? What are the economic possibilities that flow from a concern about how co-operatives make their communities more sustainable? How can different kinds of co-operatives work together in a mutually-beneficial way to improve the sustainability of their communities? What kinds of definition of community make the most sense in the contemporary world and with the membership of a given co-operative?

7. *Civil Society* : In virtually every part of the world there is a growing concern about the decline of a civil society: i.e., one in which tolerance is prized, the rights of others are respected, the practice of honesty is the norm and the necessity of "caring for others" (though not necessarily just through charity) is accepted. Given the values co-operative members cherish, co-operatives have a natural affinity for the desire to retain the "civil" qualities of our traditional societies and to create new senses of community in the contemporary world. These are matters that are greater than the co-operative movement but the issues involved suggest the possibility of a flowering of co-operative enthusiasms if only the links can be made. The question then is : How do we encourage others to understand that the co-operative way can be a useful way in addressing some of the most difficult questions of our time?

8. *Building on diversity* : In the end, one of the most complex

challenges facing co-operators is : How to bring together the varieties of co-operative enterprise and the varieties of national traditions to present a coherent vision of the co-operative possibility? It is a task that was beyond the capabilities of even the remarkable groups of co-operative leaders who shaped the movements of the nineteenth century. It has been a task that the leaders of the twentieth century also failed to complete. Is it one we can undertake? Can you, for example, build through local and national experiences in the Asian countries to create a clear vision with specific actions and goals for the over-all benefit of this region? How will you contribute to the global quest for ways to benefit from the continual assessment of how well we live up to the guidelines we call principles.

Why is the Asian Experience Particularly Important ?

You have, I think, a particular responsibility in all these matters. While there are several possible reasons that might be mentioned, three are arguably of special importance.

1. *Economic importance of Asia* : Among the great economic changes of the last third of the twentieth century was the rise of the Asian “tigers”, in both their older and the newer forms. In trying to anticipate the future, it is hard not to come to the conclusion that China and India will become dominant economic powers in the decades that lie ahead. If the nineteenth century belonged primarily to Europe and the twentieth century primarily to North America, then the twenty-first could well belong to Asia. Thus it is important that co-operatives continue to grow as integral and important elements of Asian economies and societies. One can argue that the growth of co-operatives in the two earlier centuries was partly related to the roles they played in the respective dominant nations; the same will be true in the future.

2. *The varieties of Asia* : In one way, the concept of “Asia” does not make much sense. When one considers the size of the region, the diversity of the countries to be found there and the differences among the numerous cultures, it becomes rather difficult to understand what binds the region together. But it is that very complexity that makes the co-operative experiments in this region so rewarding and that makes the possibilities so intriguing. In building your co-operative future, you have the capacity to draw upon a host of experiences and numerous ways of thinking about co-operatives; you have related value systems (for example, in how you think of communities and in how you operate your economies) which will

assist you in continuing to create your own set of distinctive co-operative movements. And, whatever your future is will profoundly affect the future of the international movement.

3. *Matters of Culture* : In general, we have paid too much attention to what co-operatives share as an institutional form and not enough to what they represent as cultural phenomena: after all, while they are ordinarily economic institutions, they are also the creatures of cultural contexts. That is what gives them their richness; that is what makes them almost infinitely adaptable; that is partly what gives them their special roles. Nowhere are these simple, perhaps somewhat banal, observations more important than in Asia. Nowhere more than in this dramatically changing part of the world, with its myriad cultures and traditions, can this rare and precious quality of co-operative enterprise be more fully realized. In an age of bland if not blind materialism, that is a special quality, an important opportunity and a particular responsibility.

Some of you will have heard at least some of this before but I do not apologize for some repetition. In the final analysis, the key point of the 1995 revisions was to lessen the opportunities for “visiting experts” to impart truth and provide specific recommendations. The responsibility, in fact, was turned back to members and to movement leaders like you. The identity page and its explainers do not define what should be; they only point. Co-operators create; they do so best through the arduous but rewarding work of making the best choices from the many made possible by the application of the best traditions of co-operative thought and action.

Co-operative Identity and Co-operative Management

by Peter Davis

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The growth in power and influence of management and the withering of democratic content in many of the larger Co-operative societies was one of the key issues that prompted the review of Co-operative Identity by the ICA. Another was the question of why bother to be a Co-operative at all? Whatever may be said in public many managers, unsure as to the answer to this question, have in the past, in the process of concentrating on their responsibility for the "business", ignored falling membership participation.

The ICA draft documents on Co-operative Identity fail to address let alone resolve these problems. It is not an affirmation of the "promise" of Co-operation as a democratic movement (*Into the 21st Century: Co-operatives Yesterday, Today and Tomorrow, ICA Background Paper, 1995*) but a definition of its social and economic purpose that we require. To pretend as the background paper does that key decisions are taken by ordinary members through the democratic process is merely to perpetuate a myth that ignores management and creates cynicism in the latter rather than the commitment that the movement so urgently needs.

Politically - correct statements using the language of European social policy and business ethics just will not do. Honestly, social responsibility, and equal opportunities are important criteria upon which the performance of all organisations should be judged not just Co-operatives. Democracy is a distinctive feature of the Co-operative form but one that without the recognition of the role and importance of management in the decision-making process remains singularly hollow.

The Role of Managers

Co-operative managers need a clear statement of their role and their specifically Co-operative identity in terms of Co-operative objectives or mission. Such a statement is not an attempt to define a "perfect Co-operative" (Statement on Co-operative Identity: A Background paper, ICA, 1995) but to provide working criteria for the direction and purpose of all Co-operative organisations irrespective of

their function. *Whilst Co-operative management has no recognition and no sense of its distinctive Co-operative purpose democracy will continue to be undermined and the development of the strategic management of Co-operative organisations will remain problematic and random.* Yet the draft Statement on the Co-operative Identity simply reiterates the old formula of “common economic, social and cultural needs and aspirations” (see the clause Definition). Nor does the following statement of principles concerning Democratic Member Control (principle 2) and Autonomy and Independence (principle 4) address how a well informed and powerful management, with little understanding or sympathy for the Co-operative movement, can be prevented from mobilising a majority of normally uninvolved Co-operative members to sell off for immediate short term gain the assets accumulated by past generations. Indeed “common...economic needs” could well be the justification for the sell off or transfer of the co-operative organisation’s assets to a capital based organisation.

The Unifying Purpose?

We need a clear statement of the unifying purpose of Co-operation that can cover the wide diversity of Co-operative activities across the globe. This is not provided by the 6th principle which asserts rather than persuades that co-operation between Co-operatives is best. Unfortunately, it is not always in Co-operatives’ “common economic...needs” to trade together. And as we have no other statement of Co-operative purpose what else does this sixth principle refer to?

Co-operative associations today need more than ever to hold two primary over-arching common Co-operative purposes in addition to their functional business-based immediate purposes as providers of products and services. First, all Co-operators have in common their individual vulnerability and powerlessness in the marketplace and the inadequacy of their personal wealth to meet their needs for subsistence and welfare. Secondly, for association or co-operation to be practised by economically vulnerable people they must act together (this requires a strong sense of their community of interests). Thus we can say that;

The first Co-operative purpose is therefore to redress imbalances in market power.

Secondly, all Co-operative associations should exist to strengthen the idea and practice of community amongst their membership both as an intrinsic good and because it is this acting together in unity that is key to successful association.

The Co-operative's purpose, therefore, is to unite and involve its members in an economic and social community to provide countervailing market power and access to economic and social resources that as individuals the membership would not be able to accumulate for themselves.

The Definition Needed

An amended definition of Co-operative identity should therefore, read as follows:

"A Co-operative is a voluntary, democratic, autonomous association of persons, whose purpose is to encourage members to grow in community and to act collectively both for the intrinsic value of being part of a living community and to overcome their problems of economic dependency and need by providing access to, and ownership of the means of subsistence and welfare.

Co-operatives, as they grow, develop managerial strategies, structures and policies that enhance their ability to meet these Co-operative purposes".

Measuring Management Performance

These amendments to the draft definition of Co-operative identity enable a much sharper evaluation of the effectiveness of Co-operative management. It implies three clear Co-operative criteria upon which management performance can be judged in the Co-operative context :

- a) The first criterion being the strengthening of unity, involvement and community within Co-operative membership.
- b) The second being the accumulation of collective and individual economic resources by members.
- c) The third and final criterion being the extent of democratic involvement exercised by members.

These three criteria are in addition to, not in place of, existing functional business criteria.

Co-operative management that seeks to achieve the purpose outlined above and is made fully accountable for their achievement must avoid those values that are drawn largely from the culture of MBA and main stream management training programmes. As Reimer Volkens has put it "... where the membership orientation is replaced by mere customer orientation ... change in the Co-operative character

of the society is inevitable.” (Volkers, *ICA Review of International Co-operation*, No. 87, 1994 p48).

Co-operative Values

Only when Co-operative management is directed by a clear statement of Co-operative purpose, upon which appropriate values and principles have been constructed, can it begin to differentiate a Co-operative management culture. For this reason we need a statement of Co-operative values that emphasises the purpose as well as process of Co-operation.

The statement of Co-operative values should read :

“Co-operatives are based on the values of community, people before capital, self-help, mutual responsibility, democracy, quality, equity, service and stewardship.”

These additional values of community, people before capital, quality, stewardship and service to others can hardly be said to be new. Their re-emphasis now, however, is particularly important and relevant. It enables us to define the principle governing Co-operative management practice and culture and suggests the inclusion of a further key principle addressing this question into the existing draft statement.

The Principle of Community?

However, to attempt, as the official draft does, to place Community as a “new” 7th principle is almost to rewrite Co-operative history. Co-operation has always been based upon the recognition of community of interests and the attempt to make that community a living reality. This “new” 7th principle unfortunately externalises something that is central and interior to Co-operative Identity itself. Co-operatives should of course be interested in the wider community as should any socially responsible business. This is not something that differentiates Co-operatives from other types of business, even if Co-operatives may justly claim to have their roots in their local communities. It dilutes our understanding of true Co-operative identity and should be reformulated into the interior Co-operative value that community has always been, both as an intrinsic good or purpose, and in order that the process of Co-operation is effectively supported.

A Principle on Management?

I urge that the really new 7th principle that can help the movement address the problems we face should be under the heading of Co-operative Management, viz :

Co-operative Management

“Co-operative management is conducted by men and women responsible for the stewardship of the Co-operative community, values and assets. They provide leadership and policy development options for the Co-operative association based upon professional training and Co-operative vacation and service. Co-operative management is that part of the Co-operative community professionally engaged to support the whole membership in the achievement of the Co-operative purpose.”

It is by the incorporation of Co-operative management as part of the Co-operative community and as representing an important principle of Co-operation itself that we can work out the tension, produced through increasing scale, between management and democracy within the Co-operative enterprise. *It is on this basis that we can and must include Co-operative executive management on the main boards of Co-operative societies.*

I do not in any way wish to imply any down-grading of the importance of lay elected directors nor of the excellent work undertaken in director training and development programmes (which in the UK I have had the privilege and pleasure to contribute to). These initiatives are essential, but alone lay directors in the modern world are no real match for the authority of the top team of professional executive managers running the society day by day.

Managers on Main Boards

The real danger to Co-operation lies in the fact that at present we have a legal myth of main board responsibility without that board's membership carrying sufficient professional authority. That authority will only be available to the main board when its lay membership is strengthened by being joined by members of the executive management *committed to the Co-operative purpose*. Without the latter commitment, of course, I readily accept that our democratic process and social and economic purpose will not have been strengthened. Top management and the elected members must operate as a united team, collectively accountable to the whole membership, if the Co-operative process is to be reinforced and its purpose fulfilled.

A clear, membership-focused statement of Co-operative purpose, underpinning a strong statement of the principle of Co-operative management, can empower the professional Co-operative managers and at the same time improve the ability of lay members to assess management performance and ensure the integrity of the Co-operative identity.

The sterile separation of commercial and social in Co-operative activity must be swept aside and the Co-operative project seen as a whole. This means ensuring that the responsibility for leadership and the development of strategic and truly Co-operative responses includes senior members of the top management team as appointed members of the main board, alongside the otherwise elected lay directors. The commitment by top managers to the Co-operative purpose and their adherence to a short statement of Co-operative management principles will provide a succinct criterion for appraising management's Co-operative performance and enable lay members better to understand and defend, if necessary, the integrity of their Co-operative society. *The establishment of a principle of Co-operative management (see above) enables the Co-operative enterprise to be managed professionally and Co-operatively in such a way that democracy and involvement will remain key aspects of Co-operative practice. The clear definition of Co-operative purpose (see above) gives the Co-operative society, of whatever type, the strategic direction within which Co-operative management must work and against which their performance can then be appraised.*

Programmes of Training and Education

Finally, we need to stress that at the end of the day no statement on paper is worth very much unless we develop the management and organisational training and development resources to motivate and empower Co-operative managers and members. Clear professional leadership builds unity and encourages democratic participation in the Co-operative community in both economic and social terms. To understand what is to be the content of the training and education referred to in the 5th principle, therefore, requires that we know why we want to co-operate in the first place. *The aim of understanding our purpose as well as our process must inform much of the content of Co-operative education and training for managers as well as members. To define that purpose in terms of the need to off-set the economic and social vulnerability of the individual in the market place is not idealism but the common Co-operative*

identity upon which the responsiveness to specific needs of members in the diversity of Co-operative provision must be understood.

A fuller account of the approach in this article can be read in my Discussion Paper in Management Series No. 95/1 Co-operative Management and Co-operative Purpose : Values, Principles and Objectives for Co-operatives into the 21st Century, published by the Management Centre, University of Leicester, price £2.00 plus p & p.

Are Co-op managers servants or leaders?

**An Extract from a fringe meeting speech at the
recent Co-operative Congress**

by Peter Davis

There is a vacuum of leadership at the top of many co-operative businesses. Professional management struggling in co-operatives to ensure the survival of their business are tempted to see co-operative values as a diversion from their real needs.

This mistaken view arises from a received wisdom that co-operative management operates separately as a technically competent civil service functioning purely or mainly in terms of specific technical, legal and commercial contexts.

Today mainstream management thinkers recognise that the practice of management is value led. Yet by our recently defining co-operative identity without any reference to management we have continued to misrepresent the management function as being simply a matter of techniques. How can we expect to strengthen mutuality and co-operation when we continue to pretend that we can separate co-operative management from co-operative leadership? These managers are the most central and crucial channel, facilitator and controller of information and decision making within the modern co-operative business. They have knowledge and skill far and away beyond that of the competence of elected board members individually or collectively. Anyone that seriously believes that top executive management are not going to have influence over policy strategy and mission in co-operative organisations today and haven't done so in the past is refusing to face reality.

To expect the Board when confronted by a chief executive with the backing of his or her management team to be able to exert leadership independently and proactively of management is a myth. It threatens to undermine co-operative democracy by creating cynicism in both parties, and weaken entrepreneurship in the co-operative sector just when co-operatives need it most.

Let's be clear about what's wrong with this set up. It is not the case that it gives management too much power. It's more that it leaves them with too little responsibility for the way they exercise that power. It enables co-operative managers to see themselves as civil servants trying to steer the ship of state despite its democratic encumbrances.

It leads to a conspiratorial mentality of them and us by both the management and the board. It leads to a divided organisational culture just when we most need unity of vision and purpose.

It leaves our most precious heritage – our co-operative values and principles – in the hands of the elected board members and outside the competence of our executive management team. Our values should be understood to be a central tool of management practice in the co-operative context. They are the defining point in our mission, our differentiation in the marketplace, and are central in giving us that unique opportunity for competitive advantage that mutuals can exercise in a market economy.

To be effective co-operative organisations today need to harness professional management skills to co-operative values. Managers must be recognised as being part of the co-operative identity and central to the achievement of the co-operative purpose. Without the whole hearted understanding and commitment by management we cannot expect our ideals and values to produce tangible results into the next century.

Today effective co-operative management development must combine co-operative values and purpose with the commercial context if we are to succeed in turning around and growing co-operatives business. To achieve this end we need Co-operative management development and continued board member development. I believe the best organisational context for this would be if societies implemented the original recommendation of the working party on corporate governance and adopted a unified Co-operative board led by the appointed chief executive and supported by the chief financial controller and possibly the head of marketing.

This is not a proposition based on ideology or blind faith. We have practical examples of Co-operative values applied in the context of professional marketing strategies and total quality management delivering significant market differentiation and competitive edge to co-operative products and services. Co-operative management development is by definition a value led management development that provides the basis for a professional management with enhanced legitimacy. Such a management can provide the focus and leadership to ensure a coherent and effectively led co-operative main board.

Only a professionally led united main board can provide the leadership to implement relevant total quality management and human resource management strategies to achieve market leadership in cost and product/service quality. At the same time I believe

there is a strong case for arguing that mutual values and structures provide the most appropriate context for the implementation of these management techniques.

The paradox in the democratic process is that it works best when there is a unified leadership based on a shared culture and clearly articulated shared values. Separation of powers managed through committees will divide us, sap at our vitality and reduce our ability to respond to the challenges that confront us. The model for the State is not appropriate for a market based membership association. Co-operatives need to communicate, mobilise and engage their members in their unique mixture of commercial and social purposes.

A unified board can help achieve this by :

- a) making the CEO take formal responsibility for the role of leadership that she/he exercises informally at present;
- b) abolishing the them and us mentality of separated powers for the united team approach;
- c) strengthen democracy by increasing the status of the board which the inclusion of two or three of the top management as appointed members would bring;
- d) make managers see the co-operative enterprise as a unified whole not as many do at present as a “retail” business with member relations tacked on for historical reasons;
- e) enable the board to remain firmly and by a large majority a directly elected board, but with a collective competence that will enhance its reputation and encourage the most able members to stand for election.

It's not really a question of whether managers should be servants or leaders. Co-operative managers need to be leaders who serve. This requires a board structure that recognises their leadership role by having them on the Board as full members and also recognises their servant role by ensuring that the CEO see themselves as being responsible for leading a team (of predominantly directly elected lay members) reflecting the purpose for which the co-operative was established namely to serve its members needs by uniting them in association.

Managers leading boards on the basis of values rather than manipulating them through the exercise of superior knowledge and skill is the way to establish the identity and pride in co-operative organisation that will ensure the commitment and unity of all its stakeholders.

Towards a Value-Based Management Culture for Membership-Based Organisations

by Peter Davis

Introduction

The real problems are often such that we either don't see them at all or if we are aware they are the problems we do least about. The Co-operative Difference has been the subject of research and analysis over the last few years as we try to develop our understanding of what it means for the re-positioning of our co-operatives in both the market place and in society. In all of this there has been remarkably little attention given to the real problem that faces our movement. That problem concerns the role of a modern management in the co-operative context. How do we translate the co-operative difference into a management and organisational culture that both reflects that difference and can successfully promote it in the competitive conditions of the modern world?

This paper aims to be a modest contribution to the debate concerning this question and to take forward the analysis of my previous two papers addressing this issue.¹ It will be structured in two parts. Part 1. "The Purposes and Practices of Management" will briefly explore the roots of mainstream management thinking and philosophy and consider both those elements that co-operative management needs to retain from these alternative mainstream management approaches and what it may need to reject or at least qualify. Part 2. "Reviewing the Co-operative Management and Organisational Development Literature" will consider some of the important management - oriented books, papers and research that have recently been published. I argue that the literature can be divided into two broad approaches. The dominant approach in the literature being functional and legally oriented, I call this the Civil Service concept of Co-operative Management. This approach stresses process, division of responsibilities, and immediate tasks and membership benefits. Its approach to business strategy for co-operatives is formalistic. Democratic and commercial processes are generally seen as distinct. Whilst many of its ideas are rooted in a mix of mainstream management approaches

this concept of co-operative management lacks the one most powerful element of modern management. That is entrepreneurial leadership and flexibility in decision making. The other approach is culture-based. I call this Value Based Management. It stresses management in a new (for co-operative) role of leadership. It emphasises the need for a strongly defined co-operative purpose or mission leading to the determination of a set of values which can form the basis for a unified organisational culture that is shared by management and membership. Organisational culture, membership involvement and development, and positioning in the marketplace are seen as integral to the processes of co-operative management. They arise from the pursuit of the co-operative purpose in the context of the specific needs of the co-operative business in its contemporary social and business environment. The needs of contemporary society are not viewed as separate or distinct from the realities of the business environment but rather as part of that environment and in many fundamental ways shaped by the direction, process and structure of modern business. The one primary role of co-operative management is to use the co-operative difference and purpose to determine the strategic response to this environmental reality. The issue of democracy and membership control are formally more problematic than in the Civil Service concept. It will be suggested, however, that in this matter the reality could be quite opposite from appearances.

Part 1. The Purposes and Practices of Management

For managers many features that are seen to be basic to their day-to-day work are assumed to be unproblematic. In fact, it is important to recognise how new the idea and practice of 'management' is. In the pre-industrial age, production of goods took place in domestic settings and small workshops. The controls which 'masters' exercised over those who worked for them were either direct and personal (in the workshops) or indirect and distant (where production was carried out in the worker's home). While such patterns of work have by no means completely disappeared today - consider the small workshops and out-working so characteristic of many areas of the textiles industry - the large organisation with its extensive division of labour involves fundamentally different tasks of control. Those who led the way in creating modern systems of industrial production had also to evolve modern systems of management to replace the highly personalised patterns of the pre and early industrial age. The personal relation of 'master' and 'servant' was superseded by the more impersonal relation of 'employer' and 'employee'. As relations of

personal obligation and loyalty - not to mention exploitation and 'sweating' - were replaced by relations of 'contract', so 'management' emerged as a set of ideas and practices for handling the new social and legal category of 'employees'. In particular, new forms of surveillance and discipline were required to 'manage' the workers who were more used to the less formal work patterns of an agricultural economy. The various forms and approaches of management are, therefore, the products of specific historical problems.

During the development of managerial practices many of these assumptions concerning managerial prerogative, the legitimacy of business objectives and the efficiency of the unregulated market have been questioned by co-operators (particularly Robert Owen in New Lanark with his early model of managerial paternalism), trade unionists, politicians, environmentalists, academics and some business leaders themselves. Echoes and rehearsals of these earlier discourses are to be found today in the discussions on professionalism within Personnel, the Personnel v HRM debate, concern over Corporate Social Responsibility, Business Ethics, Employee Participation and Employee Share Ownership.

Today, largely as a result of growing public concern over health and the environment; the controversy over "technological unemployment"; and the growth in size and power of the transnational corporation, the values behind the practices of management have begun to be of more general concern. From outside the organisation the importance of values has been taken up by academics under the heading of Business Ethics, but from within management itself the Human Resource Management approach has emphasised the importance of organisational culture for managerial control. The rise of marketing and the global organisation has also led corporate managers to become more sensitive to image which always carries value messages to either a stronger or weaker degree. Underlying the alternative philosophies, models and strategies of management lies the problem of how to maximise the productivity of employees at the required level of quality?

It is interesting to note the changing emphasis in the debate on the impact of science and technology on both management and employment. For some of the participants in this debate science cannot be seen in terms of a neutral imperative but more as the facilitator of moral choices.² This challenges the view that management can be depicted as a purely rational practise of optimising wealth creation in response to technological and market based imperatives.

1.1 Scientific Management and Human Relations theories

The Scientific Management School was immensely influential with Taylor's *Principles of Scientific Management* (1911) being translated into a dozen languages covering as diverse a set of cultures as Soviet Russia, Industrialising Japan, Maoist China and of course the United States of America.³ The socio-economic context for the rise of scientific management can be summed up in terms of four key factors; the closure of the American frontier; the growth of industrialisation and with it the emergence to prominence of a middle class of technocrats and engineers; the growth of Trade Unionism and industrial unrest; the continued development and application of technology to increase specialisation, the division of labour and mass production systems.⁴ Taylor's approach had three components to it. Firstly, functional specialisation based on separate foremen to control gang work, speed, repairs and what Taylor called a "thinking department". The second component is work study. This was based on observation of the best workers from which an analysis and break-down of the elements involved in the task could be made. This was followed by the elimination of those elements that were unnecessary and the selection of the quickest elements which were themselves constructed into the most effective sequence. The third component was that of selecting and motivating the worker. Physical and psychological profiling was seen as the means to get the best fit between the job and the worker. This was then supported by training in the one best method for the job in question. Payment was to be by piece rates to ensure maximum productivity as income was clearly related to effort.⁵ Littler (1982) has summarised the Taylorite operating principles into the following :

1. A general principle of maximum fragmentation which decomposes work into its simplest constituent elements or tasks.
2. The divorce of direct planning and the doing of the work, thus removing as far as possible any discretion in how the work is to be performed.
3. The divorce of direct and indirect labour which embodies the principle of task control. Here a planning department was envisaged to plan and co-ordinate the manufacturing process.
4. Minimising skill requirements and job learning time.
5. Reduction in the material handling to a minimum through mechanisation, finding the single best way to do the job and by close supervision and work study.⁶

Taylor saw the exercise of management as a positivistic science. As such there was ironically a strongly ideological element to Taylorism. To be "scientific" is to be progressive, true and ultimately "legitimate". Management and labour should be in partnership where labour could rely on management's superior knowledge to support the workers' need to increase earnings. Thus industrial conflict would be eliminated by the increased wealth that greater efficiency would bring. Taylor saw humanity's involvement in work to be purely economic and instrumental. The essence of Scientific Management is standardisation through achieving best practice through careful selection, rigorous training and close supervision based on a division of labour in which decision taking is separated from the execution of tasks as far as possible. The objective is to increase the productivity of labour through control of the worker in terms of their time and motion by a mix of close supervision and financial incentives and the destruction of all craft-based discretion on the part of worker.⁷

This approach was challenged by a number of writers who began to draw upon older ideas of 'welfare' and allied them with new discoveries in psychology and social psychology. The psychological emptiness of Taylor's approach with its instrumental and one dimensional model of the worker and the worker's relation to work was an obvious area for attack. Nevertheless, much of modern work study, ergonomics and job design owes a great deal to Taylorism. Some American union leaders embraced Taylorite philosophy whilst simply wanting the right to negotiate the rate for the job. The crudity of Taylor's economicism and the barrenness of the social content in his approach, however, was rejected by many academics and some branches of management more strongly influenced by an older paternalistic welfare model of management.

The 'Human Relations' approach to management argued that social dimension in organisation was the key to motivating workers, and that management based on formal bureaucratic and market constraints was inadequate. The advent of research into fatigue, the discovery of problem of monotony and the recognition that sociological and psychological factors were leading to continued alienation of the worker lent support to this position. Human Relations theorists were trying to respond to the rootlessness, materialism and individualism of urban American life and the continued industrial conflict that it had created.⁸ They accepted the Taylorite view that rule by a technical elite was inevitable but saw industrial conflict as a symptom

of a maladjustment in industry that was required to be corrected by a socially skilled management and working arrangements that reflected human beings' social needs. If the worker for Taylor was a brute only obsessed with making money, in the work of Elton Mayo, the promoter of research into the human Relations approach, the worker now becomes somebody obsessed with belonging and togetherness. Since Mayo social psychology has played an important role in developing theories of management practice. Group dynamics, motivation studies, counselling/mentoring, team building and leadership, welfare and employee communications, all have developed within the Human Relations school tradition.⁹

On this basis, two rival 'schools' of management—two different answers to the question 'what is management?'—emerged in the twentieth century: 'scientific management', with its stress on 'economic man' and the 'human relations' approach, with its stress on 'social man'.¹⁰

1.2 Structural Analysis and Contingency Theory of Management

It was Joan Woodward in *Management and Technology* (1958) who is purported to have made the first concise statement of contingency theory in management. Her studies indicated that there was no one best way to manage but that it depended very much on the type of productive context (unit, mass, or process production) coupled to the type of technology available that determined how management would be structured and the methods it would adopt. Whilst both Taylor's and Mayo's work focuses upon the relationship of the individual and their task or the individual in the task or work group, the Aston studies led by Prof. Derek Pugh considered the larger setting of the organisation as a whole for developing a theory of Management. Like Woodward the Aston studies indicated that management could not be abstracted from its context. The structural analysis approach recognises that management is contingent upon the constraints it has to operate under. Its model of the organisation is a Functionalist one in which the organisation is depicted as a complex amalgam of departments and divisions. The functions are mutually interdependent and contributing to the maintenance of the whole.

The constraints which determine management structure and behaviour can be characterised as being under seven broad headings:

1. Competitive environment

2. Legal regulative environment
3. Level and type of Trade Union organisation
4. Prevailing Culture and Social Structure
5. Internationally hegemony of a particular State or group of States
6. Technology
7. The prevailing rate of profit
8. Availability of capital, labour and other material resources*

* The eighth is an addition of the author's

The aim of the Aston studies was to achieve:

- a) a precise definition of organisational variables;
- b) a taxonomy of organisational structures; and
- c) an understanding of the relationship between management strategy and organisational structure.

None of these objectives has been definitively achieved but this does not detract from the great improvement in the level of sophistication in "management science" that this approach represents over the Scientific and Human Relations Schools. The behaviour of and control over labour is, let it be noted, no longer a central issue in the Structural Management approach. With the further development of technology and the opportunities for global sourcing, labour has become more expendable and readily available. In the nineteenth and early twentieth centuries business was driven by production but today it is driven by marketing. This has not stopped the continued growth in size and complexity of modern organisations as any examination of the league table of the top 500 firms will confirm. Globalisation and the realities of oligopolistic competition by organisations that are marketing led has created further pressures for:

- a) costs to be held down across the whole logistics chain;
- b) the need for increased responsiveness (flexibility to changes in the marketplace; and,
- c) strategic positioning of the organisation through Market Research, R&D, Mergers and Acquisitions.

In order to respond to these pressures there is the need for ever-increasing levels of intelligence of the business environment, and for rates for capital growth that can enable the organisation to keep pace with its rivals rather than be swallowed up by them. Under the

constraints identified by the Structural Analysis approach managerial co-ordination and control becomes more complex. The boundaries between market mechanisms for co-ordination, traditional models of bureaucratic control, new models of governmental and supra governmental regulation have become blurred. This has created a need to mesh various modes of co-ordination into a networking based system of information exchange and co-ordination.¹¹ Clarity about where the market is moving; how to position the organisation to take best advantage of these movements, and a recognition of the constraints affecting the organisation's ability to respond are the central managerial problems that Structural Analysis attempts to address.

This analysis leaves us with the problem that in developing a theoretical concept of management we seem to conclude with either some crude formulation of human nature or some variation of contingency "theory". Certainly management writing today is more a question of emphasis on problems and how best to resolve them, with the particular authors drawing fairly freely on all three traditions or approaches to management as they feel most fits the needs or possibly fashions of the hour. Such an ungrounded approach cannot be a satisfactory position in which to leave such a significant process (group of people) for decision making about resource allocation.

All three mainstream approaches have a number of crucial elements in common, one of which I believe helps explain the ungrounded nature of all their "solutions" or approaches to management. All are concerned with increased productivity, the reduction of conflict, (two out of three have this at centre stage) the legitimation and maintenance of managerial control over the execution of work, and finally they all ignore or abstract the wider social and economic structure, focusing instead on the micro setting of the task in the labour process (Scientific Management); relationships within the workplace (Human Relations) or the co-ordination of organisational responses to business needs (Structural Analysis). The legitimacy of the ends being pursued and the means by which they are pursued is assumed. Values and culture are also either assumed in the case of Scientific Management or in the other two approaches brought into the concept of management as simply one more amongst many others which have been selected to legitimise and support managerial ends rather than as a means to question and define the ends themselves.

1.3 Value-Based Management and the Co-operative Purpose

Value-based management does not reject the tools developed by the three schools that we have briefly reviewed above. Issues relating to ergonomics, selection and training, communications, relationships, leadership, the business environment, and organisational structure and strategy among many others will always have to be addressed by managers, and when they are the insights and lessons arising from these approaches will offer valuable guidance. But the hour is long overdue when the critical human-centred challenge to Capitalism presented by Robert Owen in his Address to the People of Lanark must get a response. Business - all business, including co-operative business - must examine its purpose not in the light of micro level analysis but at the level of macro level analysis. By macro level I mean two things:

- a) an examination of human society and its development, and
- b) an examination of the environmental systems that sustain human society (including the biological and animal cultures we depend on and interact with).

Value-based management is not to be seen as an “airy fairy” idea but one that requires as much data and data analysis as in any other form of management decision making. Its starting point is human need at the macro level matched against the specific nature of the micro level business. Its role is to position the business to respond effectively to the human-centred needs identified through the value choices it makes in the provision of goods and services to customers. The questions it asks are - what are the contemporary needs of human society and human development? What are the needs of the environmental systems upon which human society and its development depend? How can our business respond to those needs by what we do and what we refrain from doing? No organisational purpose, or mission, or objectives can be established which do not have answers to these questions. The need for economic success and competitive pressure are still important motivators as well as constraints on action. The concerns and the goals of the consumer are just as critical as ever they were. Now, however, the information organisation are seeking from the consumer and the message they will be giving to the consumer are based upon criteria that are determined by a societal-level analysis based upon a human-centred and ultimately creation-centred agenda. Gerry Johnson maintains that values determine how management perceives and responds to the

environment.¹² Very well, what value-based management insists on are that those values themselves are subject to critical analysis and justification against human centred macro level criteria. It is not just what our values are, it is how well they relate to the human centred needs of our time and place. Without an insistence on this, proposals for a stakeholder driven approach to management¹³ will remain devoid of content and as dependent on the power to influence.

There are three reasons why Value Based Management is the future for management. Firstly it represents what the consumer wants and, when the consumer gets the opportunity, what she/he will invariably choose. Secondly it is the future for management because it represents the logical development of management into a true profession. Up to now senior management has been depicted either as Taylor's "economic man" driven by the need to enhance personal wealth, or as extroverted egotists bent on power and position; in both cases, however, they end up as neutral manipulators or administrators of tools of analysis and various techniques with the aim of meeting the ultimate criteria of competitive rates of Capital growth. It is in this neutral context that the label professional is most often attached to managers. What most managers want and probably try to be, however, is what a real professional has to be - not value-neutral but valued-led. A truly professional manager exercises a position of genuine leadership based not on superior knowledge but on a superior knowledge of the needs of those being led. Thus professional management can only be management based on human-centred values. Those being led are not just the employees of course but in a critical way it includes the consumers, who are being asked to choose a particular life style and future in the proposition being made, and the broad community of interests interacting with the organisation. Thirdly value-based management is better placed to respond to the economic reality of the world as it enters the 21st Century. The fastest rate of Capital growth is no longer the only or even primary criterion for economic performance today. Such notions are being challenged at the highest levels of economic policy development.¹⁴ Resource constraints require that sustainable development replaces capital growth as the lead criterion for economic performance. The focus of economic endeavour is not to resolve problems of wealth creation but problems of access to wealth creation opportunities and the general allocation of resources.

This high technology age, driving down unit costs in manufacturing and services and driving down the price of labour,

will result not in the triumph of Capital as the senior partner in the relations of production but with the triumph of Labour. Paradoxically the more science and technology exercise power and control over nature including human beings themselves, the more the moral question becomes the question. This requires a human centred criterion for the analysis and development of managerial/organisational values that leads the economic process. This provides the grounds for the achievement of what Taylor and Mayo dreamt of, namely, a genuine management-led community of labour will have become the driving force in the economy. Management serving people rather than capital will truly empower and legitimise management. We will have a genuine managerial revolution not benefiting a few fat cats manipulating power for their own enrichment but a managerial revolution that reunites human labour as it participates in the conception, implementation and realisation of economic welfare.

Part 2. Reviewing the Co-operative Management and Organisational Development Literature

I personally do not believe that a value based management committed to a human centred analysis as its guide, communicating its message clearly and acting consistently with that message will have difficulty carrying its organisation's major stakeholders including its customers with them. Management in both Capital and Membership based organisations are I believe starting to feel their way towards this concept. No doubt there will be successes and failures in both sectors but I am confident that the membership-based structure will offer least resistance to the changes a value-based management culture will bring. Co-operative Societies and other mutuals are uniquely placed to implement a genuine stakeholder model led by a value-based management that will be credible with the consumer because it has a genuinely representative structure. Paradoxically, however, it is the Co-operatives themselves that have largely failed to utilise their human-centred values dynamically in their communications with their customers and employees. The reason for this is I believe because the Movement has paid little attention to what its values mean for management.¹⁵ The co-operative literature betrays this in its emphasis on democratic responsibility for policy, and managerial responsibility for the execution of policy. The practice of Co-operative Management has in fact been left to be determined by inappropriate managerial ideologies that has created

a lack of vision on the part of management in co-operative societies and a closure to members of the real decision making processes within their co-operative. The view that democracy is about managerial accountability rather than member participation leaves members without influence and managers without information. It makes for a divided house of mutual suspicion not a united community of labour serving the needs of the wider society to the mutual benefit of all.

Draheims (1955) concept of the “double nature” of Co-operatives sums up this approach exactly. “..... co-operatives are characterised by” the association of persons” with external economic components and social features on the one hand, and the “economic undertaking” to be managed like all other private enterprises in the market economy on the other hand”¹⁶. Two recent publications (Edgar Parnell, 1995 and Isao Takamura, 1995) also reflect this established view of a polarity between social and commercial aspects of the co-operative. In Edgar Parnell’s book Co-operatives are seen as being organisations formed as a result of the market economy as with capital based investor-owned organisations but distinguished by their members being the cardinal stakeholders in the organisation. This makes them people-centred rather than capital-centred businesses. The problem for co-operatives identified by Edgar is :

- a) the loss of focus on the provision of benefits to members; and
- b) the loss of control by the cardinal stakeholder group (members defined by the functional services provided by the co-operatives, i.e. consumers, farmers etc.) to a variety of other stakeholders or interest groups.

This is identified by Edgar as the main cause of failure in the co-operative sector. There is a lot of truth in this proposition as in the proposition that co-operatives lack focus and clarity as to their objectives.

Edgar’s further proposition that co-operatives be defined by their objectives or purpose is to be read in the narrow sense of immediate business activities rather than co-operative purpose as I define it.¹⁷ For Edgar this lack of clarity is due to over reliance on co-operative principles. Edgar tries to avoid the contingency model of management with the additional grounding for management decision-making in the notion of benefits for members. Edgar insists that it is “benefits to members” that provide the core rationale for co-operatives and are the touchstone for defining co-operative purpose.¹⁸ This may not, however, be as clear cut as Edgar appears to believe. If we take an

example from a UK consumer co-operative the need for the right goods at the right price at the right time is not the question. What are the right goods and what is the right price in the members interest? Is it the cheapest, the one least environmentally damaging, the one with additional features? What about products the members have never heard of, fulfilling needs they didn't know they had? How are we to determine appropriate benefits without discussing the role of marketing and market research in the context of a membership based organisation? Surprisingly, Edgar omits any discussion of these topics.

I have, however, a more fundamental objection to Edgars' formulation. Benefits to members is too general and actually can be completely unrelated to the notion of Co-operation at all. Edgar must recognise this problem otherwise he would not, along with many others, seek to restrict the rights of members to dispose of the co-operatives assets in any way they might wish to. He is, of course, right to suggest restrictions on what any particular group of members at the micro level may wish to do with their society and its assets. This is because Co-operatives are not just about membership and the benefits of membership in abstraction. Co-operatives are about the benefits of membership in association. The association's purpose is to provide market leverage and access to resources (including information) that would not be otherwise readily available to the individuals who join and without which they would remain at best disadvantaged, and at worst poor and excluded. This applies to all sectors and regions of co-operative activity. Thus social justice and community are central to an understanding of Co-operative purpose and in understanding and evaluating the propriety of those activities, products and services providing benefits to members. It is upon the values and principles that emerge from this macro level analysis of social need that the truly distinctive co-operative "framework for rules of behaviour" that Edgar Parnell calls for in chapter 2 (and particularly develops in his discussion of leadership in chapter 4 and corporate governance in chapter 11) can be established.

Specific Co-operative activities provide employment, fair priced good quality products, decent housing, cheap credit and other financial services, fair priced utilities, fishing boats and many other specific goods and services including education. It is the overarching macro level purpose, however, of social justice and the common strategy and end of community building that has the potential to unite all co-operatives into one socio-economic movement. This movement is not

about delivering this or that benefit but about mobilising economic and social resources to deliver economic and social justice and destroy dependency in the global marketplace today. I do not argue with Edgar that co-operatives must produce benefits to members but we do need to understand very clearly what the nature of the benefits are and how they are to be achieved within the co-operative context. In Edgar's formulation there is the danger of parochialism and materialism leading to the fragmentation and dissipation of Co-operative assets when all the competitive pressures require us to conserve, accumulate and collaborate in order to achieve the required critical mass in the marketplace.

It is when Edgar discusses the importance of establishing clear definitions and divisions of labour within co-operative organisation that his analysis conforms most closely to the "double nature" model of co-operatives. It is in these areas of Leadership and Corporate Governance within Co-operatives that his analysis most closely conforms to the Civil Service view of Management. The myth is that the elected board of directors is exclusively responsible for the direction and leadership at the highest level of the co-operative. Edgar rightly points out that leadership can be exercised in many different contexts and levels within organisations. His emphasis, however, on the distinction between primary leadership (who develops the plans of action) and secondary leadership (required to lead those who organise the delivery of co-operative services) is misguided.¹⁹ Edgar reduces management to business administration. His solution to the central problem of Co-operative Organisation today - which is how to develop professional leadership of co-operative businesses operating in increasingly complex business environments - is structural rather than cultural.

By concentrating on the division of functions, management is down-graded to a civil servants' role and the members are down-graded to an elected members' council which appoints really qualified people to act as Directors to manage the business on the members' behalf.²⁰ This additional layer of policy making is unlikely to be a solution that recommends itself to many co-operative managers or members. It carries real risks of further fragmentation and conflict within co-operative organisation. Unity and a sense of involvement is the most essential grounding for successful association. This requires that effective leadership be brought to bear on the development of the organisational and management culture.

Edgar does acknowledge that manager leaders can emerge that

“successfully provide the primary leadership role” but for Edgar this is an exception not the rule. For Edgar the problem of technical incompetence in lay Boards is resolved by placing another tier of experts between them and the managers. Why can we not accept that the managers are the experts and they need to be as close to the membership as possible? Takamura acknowledges the need but does not seem prepared to give managers the position of responsibility for the decisions, leaving them rather as expert advisors whose advice the Board will be well advised to pay attention to. His formulation of the division is between management in a “broad sense” conducted by the Board and in a “narrow sense” by the Executive Board of management.²¹ In times of change “... the top management of the co-operative must always have the ability and will to introduce reform from within...”²² Takamura recognises the qualities required by management but appears unable to recognise the organisational culture and values necessary to ensure a management that will have the authority and ability to embrace them. Co-operative Managers are required to exert leadership and judgement and in addition “Co-operative managers, are...not only required to settle business problems but are also expected to have a sense of humanity and a fully developed character.”²³ Co-operative management clearly needs high ethical standards but it also needs an analysis of the needs and values of society as they affect the co-operative customers and members. These ethical standards must not remain the preserve of the top few but be reflected in the culture, relationship and behaviour of the whole organisation and be communicated as such to the outside world.

Both Parnell and Takamura recognise the human-centred basis of co-operatives and the need for ethical values to inform management practice but the membership is viewed abstracted rather than integrated into the wider society, and the management’s relationship is formalistic and separate from the membership rather than as an integrated part of the community of labour whose business strategy is driven by a human-centred analysis of social needs. Duelfer (1986) comes closest to recognising the importance for management to link the social integration of the individual members with his notion of “co-operative combine” which for him links the co-operative organisations’ decision-making to that of their members’ household economies.²⁴ Unfortunately this insight is not developed as a focus for determining the macro level social needs of the customers and members. These needs form the focus for the core idea of value - based management that sees the aggregate socio economic needs of

those households as the material data affecting management decision making and the foundation for the legitimate exercise of leadership by management within the co-operative community.

This is where I believe the real solution lies. Directly elected Boards of lay members must be the right grounding for co-operative governance and management but Boards need a mix of skills, and the co-option principle used by many company boards should reinforce the elected board by the inclusion of two or three of the top management team as full board members, (including the CEO) leaving open the possibility of one or two further co-opted appointments from outside the organisation, but only when a real need is identified; otherwise the appointment will be open to abuse and manipulation. Lay leadership alone can only exceptionally provide the necessary skills to lead a modern co-operative society. Co-operatives need Co-operative managers who recognise that the Co-operative enterprise must be managed as a whole without the totally false distinction between the business and the social "sides". Far from being as Edgar claims, a risk "...too great to be contemplated."²⁵ We desperately need Managers who have the qualities to take responsibility for leading and building the whole community of members and employees into a social and value based business seeking the fulfilment of the co-operative purpose. Value-based management does not replace one member one vote Democracy in the Co-operative. What it does is to demand that the professional responsibility for the quality of that democratic content is management's. Management has the responsibility to consult, survey and research members needs and the needs of the society to which they all belong. Management has the responsibility to lead and develop a united membership. The members will not only always have the right to challenge and dismiss a management that acts unprofessionally but, as I have suggested elsewhere, it will have much clearer criteria for making its judgements and more information and real involvement than the formalistic rituals that form much of the content of the so-called democratic process today.²⁶ Thus value based management is the essential goal for co-operative management and organisational development today. Value-based management will not be unique to the Co-operative Movement but the Co-operative Movement is uniquely placed to take full advantage of its insights and contemporary relevance as it goes forward into the next century.

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The ICA Co-operative Identity Statement (ICIS) : Experience in Australia

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The overall application of the values and principles contained in the ICIS into the day to day operations of the Australian co-operatives movement has still not commenced. The movement has failed to take advantage of the new principles and values that would have increased public support for co-operatives and provided a commercial advantage in an increasingly competitive marketplace. The institutional weaknesses of the co-operatives representative structures has meant that a movement-wide promotional vehicle for the promotion of the ICIS was not available.

The main thrust for transforming the values contained in the ICIS into practical benefits has been initiated by the Government.

Sector Response

The following points are relevant:

- * Australian co-operatives movement is highly segmented, with profit-making co-operatives often alienated in their outlook from community advancement type co-operatives.
- * Australian co-operatives are identifying more with the industries they are in. Principles and practices driving the industry supersedes co-operative principles.
- * Effective second-tier and third-tier support structures for co-operatives are absent in Australia, as highlighted in the paper – The Conversion Syndrome. This has meant that adoption of new principles was not promoted and innovative ways of taking advantage offered under the new values were not developed.
- * The lack of cohesion within the movement has resulted in the absence of a strong leadership, that could have promoted voluntary identification with the ICIS by individual co-operatives. Any effort to transform the values and principles had been left to individual co-operatives.

- * Primary focus of individual co-operatives has been on internal issues, such as member control (active membership), corporate governance and financing activities.
- * Any interest in the ICIS among co-operatives has been generated through the equity models that the new principle would facilitate.
- * The new values, such as the concern for the community principle, which can provide a wider acceptance and recognition of the movement within the general community, has not generated interest or driven any individual co-operatives to widen their scope and examine external issues.
- * There is no formal affiliation between the Australian co-operative movement and the ICA. Such an affiliation may have provided an external imperative to adopt and practice the new co-operative values.

Government Response

- * When the new principles were adopted in 1995, the Co-operatives Key Issues Conference, organised primarily by the Government, highlighted the new principles and educated the participants from the co-operatives sector on the wider implications and advantages of the ICIS.
- * Australian co-operatives are governed under separate State legislation but consistent legislation, which would enable interstate operation of co-operatives, is being developed. The core consistent provisions being drafted currently for adoption by all State and Territories recognise the ICIS as the definition of a co-operative. It finds expression in a number of discretionary powers contained in the legislation.
- * The 'whole of government' approach being developed by the NSW Government promotes the new values and principles. However, policies and programs for promotion and adoption of co-operatives structures would need to be formulated within the framework of the broader Government policies.
- * The Government is currently evaluating a proposal that would promote co-operative to co-operative trade activities. Implementation of the proposal may well mean the application of the 6th principle : co-operation among co-operatives.

Action Plan for Actualisation of Cooperative Identity Statement

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Introduction

In accordance with the decision of the Governing Council of NCUI the statement on the Cooperative Identity and Re-formulated Principles of Cooperation were sent to all Member Organisations with the request to incorporate the same in their bye-laws so that the cooperative values and revised cooperative principles are reflected in the business policy/day to day functioning of cooperatives. National Cooperative Union of India also urged upon the National Governments to incorporate the cooperative values and revised principles within the legal framework so that cooperatives could function "as independent, member controlled organisations and on equal terms with other forms of cooperative enterprises". The Governing Council of NCUI also decided to place a draft Action Plan for actualisation of cooperative identity statement in the 13th Indian Cooperative Congress in order to facilitate wider deliberations. Accordingly, an attempt is made in this paper to present a draft Plan which is aimed at establishing the cooperative identity in the emerging environment. Part-I of this paper is the ICA Statement on Cooperative Identity alongwith the background paper on various interpretations. Part-II of the paper presents the draft Action Plan for actualisation of Cooperative Identity Statement.

Part - I

The International Cooperative Alliance Statement on the Cooperative Identity

Definition

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Principles

The cooperative principles are guidelines by which cooperatives put their values into practice.

1st Principle : Voluntary and Open Membership

Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2nd Principle : Democratic Member Control

Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner.

3rd Principle : Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes : developing their cooperative possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4th Principle : Autonomy and Independence

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their

members and maintain their cooperative autonomy.

5th Principle : Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public-particularly young people and opinion leaders - about the nature and benefits of cooperation.

6th Principle : Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7th Principle : Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

Background Paper on The ICA Statement on the Cooperative Identity

Preamble

1. The International Cooperative Alliance, at its Manchester Congress in September, 1995, adopted a Statement on Cooperative Identity. The statement included a definition of cooperatives, a listing of the movement's key values and a revised set of principles intended to guide cooperative organisations at the beginning of the twenty-first century.
2. This paper explains the context within which the statement evolved, and it elaborates upon some of the key issues raised, particularly in the reconsideration of principles.
3. Since its creation in 1895, the International Cooperative Alliance has been the final authority for defining cooperatives and for elaborating the principles upon which cooperatives should be based. Previously, the alliance had made two formal declarations on cooperative principles, the first in 1937, the second in 1966. These two earlier versions, like the 1995 reformulation, were attempts to explain how cooperative principles should be inter-

preted in the contemporary world.

4. These periodic revisions of principles are a source of strength for the cooperative movement. They demonstrate how cooperative thought can be applied in a changing world; they suggest how cooperative can organise themselves to meet new challenges; they involve cooperators around the world in the re-examination of the basic purposes for their movement.
5. Throughout its history, the cooperative movement has constantly changed; it will continuously do so in the future. Beneath the changes, however, lies a fundamental respect for all human beings and a belief in their capacity to improve themselves economically and socially through mutual self-help. Further, the cooperative movement believes that democratic procedures applied to economic activities are feasible, desirable, and efficient. It believes that democratically-controlled economic organisations make a contribution to the common good. The 1995 statement of principles was based on these core philosophical perspectives.
6. There is no single tap root from which all kinds of cooperatives emerge. They exist all around the world in many different forms, serving many different needs, and thriving within diverse societies. Indeed, one of the main reasons for preparing this document on the cooperative identity was to reflect that variety and to articulate the norms that should prevail in all cooperatives regardless of what they do and where they exist. In particular, the statement provided a common base on which all of the main cooperative traditions could prosper and work effectively together.

Cooperatives first emerged as distinct, legal institution in Europe during the nineteenth century. Achieving their first permanent successes during the difficult years of the 1840s cooperatives grew within five distinct traditions; the worker cooperatives which had their greatest early strength in France; the credit cooperatives, which largely began in Germany; the agricultural cooperatives, which had their early roots in Denmark and Germany; and service cooperatives such as housing and health cooperatives, which emerged in many parts of industrial Europe as the century drew to an end. All of these traditions flourished, albeit with different degrees of success, in most European countries in the nineteenth century; all spread throughout most of the remainder of the world in the twentieth century.

Though its 1995 statement on the cooperative identity, the

International Cooperative Alliance formally affirmed and welcomed as equals all five of these traditions. It acknowledged the vitality each possessed, and it recognized that, whatever the original sources, each tradition had been adapted in different ways within different societies and among different cultures.

7. Further, the statement was intended to serve equally well cooperatives in all kinds of economic, social and political circumstances. It recognised that all groups had created their own cooperative movements in very distinctive ways, borrowing from others and adhering to principles, but shaping their organisations according to their own needs, experiences and cultures. The 1995 statement accepted and celebrated that diversity.
8. Further, the statement of identity provided a general framework within which all kinds of cooperatives could function. Each cooperative tradition or sector, however, has its own special needs and priorities. At the time of the Congress, therefore, each sector had prepared or was preparing a statement on operating principles to demonstrate what the general principles mean for its operations, particularly in the light of contemporary circumstances.
9. Finally, the statement implicitly recognized that the international movement has a unique opportunity to assist in the harmonization of interests among groups of people organised as consumers of goods and services, as savers and investors, as producers and as workers. By providing a common framework, the Statement should joint activities and expanded horizons for all kinds of cooperative endeavour.

Rationale for the Restatement of Principles

1. There were particular challenges confronting the international cooperative movement that made articulation of the cooperative identity necessary and beneficial in 1995.
2. Between 1970 and 1995 the market economy had expanded its impact dramatically around the world. Traditional trade barriers had been reduced significantly and many of those changes, such as the creation of free trade areas, the decline in government support for agriculture and the deregulation of the financial industries, threatened the economic frameworks within which many cooperatives had functioned for decades. To prosper, in

many instances merely to survive, cooperatives had to examine how they would react to these altered circumstances.

Such changes also meant that most cooperatives were facing much more intense competition. Using the advantages of modern forms of communications, capital roamed the world with minimal interference, seeking out the most prosperous investments. Economically, this meant that many cooperatives found themselves directly confronting large transnational firms, many of them possessing capital and legislative advantages they did not have.

On intellectual and attitudinal levels, cooperatives were also confronted by international media and educational institutions that proclaimed the predominance of business controlled by investors. Within those contexts, the value of enterprises controlled democratically in the interests of people had been brought into question. In fact, the celebration of capitalist enterprise challenged the confidence of many within cooperatives, particularly in the North Atlantic countries. In the face of that challenge, there was a need to provide a clear vision of what made cooperatives unique and valuable.

3. In Central and Eastern Europe, the decline of the centrally-controlled economies had also brought into question the role of cooperatives. Paradoxically, though, it had simultaneously opened the way for the rebirth of cooperative enterprise, but that could only occur if there was a clear understanding of how new and revived movements should be regulated and encouraged.
4. At the same time, the rapid expansion of many Asian countries, along with economic growth in parts of Latin America and Africa, posed unparalleled opportunities for the expansion of cooperatives. Indeed, cooperative leaders from those continents provided many of the new insights and fresh enthusiasm upon which much of the momentum for examining the future was derived.

All of these developments brought new perspectives to the international movement. They challenged some traditional assumptions, offered new interpretations, and suggested new solutions to old problems. For such opportunities to be seized, however, there was a need to identify clearly how cooperatives should play a role in societies undergoing rapid change.

5. Cooperatives confronted other, more general, challenges during

the 1990s, challenges that promised to be even more important in the coming decades: they were the challenges associated with fundamental changes in the human condition around the world. They included issues raised by rapid increases in the global population; growing pressures on the environment; increasing concentration of economic power in the hands of a small minority of the world's population; varying crises besetting communities within all kinds of cultures; deepening cycles of poverty evident in too many parts of the globe; and increasingly frequent outbursts of "ethnic" warfare.

Cooperatives, by themselves, cannot be expected to entirely resolve such issues, but they can contribute significantly to their resolution. They can produce and distribute high quality food at reasonable prices. They can, as they often have, demonstrate a concern for the environment. They can fulfil their historic role of distributing economic power more widely and fairly. They can be expected to enhance the communities in which they are located. They can assist people capable of helping themselves escape poverty. They can assist in bringing people with different cultures, religious and political beliefs together. Cooperators traditions of distinctiveness and addressing efficiently the needs of their members.

6. The Statement of Cooperative Identity, therefore must be seen within historical, contemporary and future contexts. The remainder of this paper elaborates, albeit briefly, on each session of the statement from these three perspectives.

The Definition of a Cooperative

1. The statement defines a cooperative in the following way : "A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise".
2. This definition is intended as a minimal statement; it is not intended as a description of the "perfect" cooperative. It is intentionally broad in scope, recognizing that members of the various kinds of cooperatives will be involved differently and that members much have some freedom in how they organise their affairs. Hopefully, this definition will be useful in drafting legislation, educating members and preparing text-book.

3. The definition emphasizes the following characteristics of a cooperative :
- (a) The cooperative is autonomous : that is, it is as independent of government and private firms as possible.
 - (b) It is “an association of persons”. This means that cooperatives are free to define “persons” in any legal way they choose. Many primary cooperatives around the world choose only to admit individual human beings. Many other primary cooperatives admit “legal persons”, which in many jurisdictions includes companies, extending to them the same rights as any other member. Cooperatives at other than the primary level are usually owned by other cooperatives; in all cases, the nature of their democratic practice is a matter that should be decided upon by their membership.
 - (c) The persons are united “voluntarily”. Membership in a cooperative should not be compulsory. Members should be free, within the purposes and resources of the cooperatives, to join or to leave.
 - (d) Members of a cooperative “meet their common economic, social and cultural needs”. This part of the definition emphasizes that cooperatives are organised by members for their individual and mutual benefit. Normally, cooperatives must function within the market place and so they must be operated efficiently and prudently. Most of them exist primarily to meet economic purposes, but they have social and cultural goals as well. By “social” is meant the meeting of social goals, such as the provision of health services or childcare. Such activities must be conducted in an economic way so that they provide the kinds of services that benefit members. Cooperatives may also embrace cultural goals in keeping with member concerns and wishes : for example, assisting in the promotion of a national culture, promoting peace, sponsoring sports and cultural activities, and improving relations within the community. Indeed, in the future helping to provide a better way of life - cultural, intellectual and spiritual - may become one of the most important ways in which the cooperatives can benefit their members and contribute to their communities.

Members need may be singular and limited, they may be diverse, they may be social and cultural as well as purely

economic, but, whatever the needs, they are the central purpose for which the cooperative exists.

- (e) The cooperative is “a jointly-owned and democratically-controlled enterprise”. This phrase emphasizes that within cooperatives control is distributed among members on a democratic basis. The dual characteristics of ownership and democratic control are particularly important in differentiating cooperatives from other kinds of organisations, such as capital-controlled or government-controlled firms. Each cooperative is also an “enterprise” in the sense that it is an organised entity, normally functioning in the market place; it must, therefore, strive to serve its members efficiently and effectively.

Values – The First Sentence

1. The cooperative movement has a deep and distinguished intellectual history. During each of the last ten generations of human history, many theorists in various parts of the world have made major contributions to cooperative thought; and much of that thought has been concerned with cooperative values. Moreover, cooperatives around the world have developed within a rich array of belief systems, including all the world's great religions and ideologies. Since cooperative leaders and groups have been greatly influenced by those belief systems, any discussion of values within cooperatives must inevitably involve deeply-felt concerns about appropriate ethical behaviour.

Consequently, achieving a consensus on the essential cooperative values is a complex although inevitably rewarding task.

Between 1990 and 1992, under the direction of Mr. Seven Ake Böök of Sweden, members of the International Cooperative Alliance and independent researchers engaged in extensive discussions about the nature of cooperative values. The results of that study are available in the book “Cooperative Values in a Changing World”, written by Mr. Böök and published by the International Cooperative Alliance. That book, along with “Cooperative Principles: Today and Tomorrow”, written by W.P. Watkins, largely provided the theoretical context out of which the statement on cooperative identity was derived. They are particularly recommended to anyone wishing to pursue the topic in greater depth.

2. The first sentence on values in the 1995 statement reads as follows: “cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity”.
3. “Self-help” is based on the belief that all people can and should strive to control their own destiny. Cooperators believe, though, that full individual development can take place only in association with others. As an individual, one is limited in what one can try to do, what one can achieve. Through joint action and mutual responsibility, one can achieve more, especially by increasing one’s collective influence in the market and before government. Individuals also develop through cooperative action by the skills they learn in facilitating the growth of their cooperative; by the understanding they gain of their fellow-members; by the insights they gain about the wider society of which they are a part. In those respects, cooperatives are institutions that foster the continuing education and development of all those involved with them.
4. “Self-responsibility” means that members assume responsibility for their cooperative - for its establishment and its continuing vitality. Further, members have the responsibility of promoting their cooperative among their families, friends and acquaintances. Finally, “self-responsibility” means that members are responsible for ensuring that their cooperative remains independent from other public or private organisations.
5. Cooperatives are based on equality. The basic unit of the cooperative is the member, who is either a human being or a grouping of human beings. This basis in human personality is one of the main features distinguishing a cooperative from firms controlled primarily in the interests of capital. Members have rights of participation, a right to be informed, a right to be heard, and a right to be involved in making decisions. Members should be associated in a way that is as equal as possible, sometimes a difficult challenge in large cooperatives or in federations of cooperatives. In fact, concern for achieving and maintaining equality is a continuing challenge for all cooperatives. In the final analysis, it is as much a way of trying to conduct business as it is a simple statement of rules.
6. Similarly, achieving equity within a cooperative is a continuing, never-ending challenge. Equity refers, first of all, to how members are treated within a cooperative. They should be treated equitably in how they are rewarded for their participation in the cooperative,

normally through patronage dividends, allocations to capital reserves in their names, or reductions in charges.

7. The last operational value is “solidarity”. This value has a long and hallowed history within the international movement. Within cooperatives, this value ensures that cooperative action is not just a disguised form of limited self-interest. A cooperative is more than an association of members; it is also a collectivity. Members have the responsibility to ensure that all members are treated as fairly as possible; that the general interest is always kept in mind; that there is a consistent effort to deal fairly with employees (be they members or not), as well as with non-members associated with the cooperative.

Solidarity also means that the cooperative has a responsibility for the collective interest of its members. In particular, to some extent, it represents financial and social assets belonging to the group; assets that are the result of joint energies and participation. In that sense, the solidarity value draws attention to the fact that cooperatives are more than just associations of individuals; they are affirmations of collective strength and mutual responsibility.

Further, “solidarity” means that cooperators and cooperatives stand together. They aspire to the creation of a united cooperative movement, locally, nationally, regionally and internationally. They cooperate in every practical way to provide members with the best quality goods and services at the lowest prices. They work together to present a common face to the public and to governments. They accept that there is a commonalty among all cooperatives regardless of their diverse purposes and their different contexts.

Finally, it needs to be emphasized that solidarity is the very cause and consequence of self-help and mutual help, two of the fundamental concepts at the heart of cooperative philosophy. It is this philosophy which distinguishes cooperatives from other forms of economic organisation. In some countries the concepts of self-help and mutual help have been ignored by governments, and cooperatives have been organised through government initiative, sponsorship and financial assistance; the unfortunate result is movements controlled and managed by governments. It is essential, therefore, the solidarity of cooperators and cooperatives, based on self-help and mutual responsibility, be

understood and respected, particularly in developing countries, but in industrially-developed countries as well.

Values – The Second Sentence

1. The second sentence reads: “In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for other”.
2. “In the tradition of their founders ” refers to the fact that all the great movements have, at their origins, remarkable men and women who made outstanding contributions as “founders”. Such individuals as the Rochdale Pioneers, Frederich Raiffeisen, Hermann Schultze-Delitsch, Philippe Buchez, Bishop Grundtving and Alpone Desiardins are revered throughout the movements they helped begin; they are admired by cooperators in other movements as well. Their contributions, moreover, were typically more than practical, as important as their pragmatism was-it was also ethical and moral as well. At the same time, each national movement has its own founders, men and women whose practical and ethical values are still profoundly important; this reference to “the founders” is intended to remember them well.
3. It can be argued rightly that the ethical values to which cooperatives aspire influence the activities of some capital-controlled and some government-owned organisations. They are included, however, because they have a special place within cooperative traditions. In particular, they were fundamentally important within the various kinds of cooperatives as they emerged in the nineteenth century. They are also apparent in many of those responsible for the movement’s growth and development over the intervening years.
4. Many of the early cooperatives of the nineteenth century, most obviously the Rochdale Pioneers, had a special commitment to honesty; indeed, their efforts were distinguished in the marketplace partly because they insisted upon honest measurements, high quality, and fair prices. Worker cooperatives, throughout their history, have been renowned for their efforts to create honest systems of open management. Financial cooperatives gained excellent reputations around the world because of the honest ways they conducted their business, in particular the calculation of interest payments. Over the decades agricultural cooperatives have prospered because of their commitment to high quality, honestly-labelled produce.

5. Aside from a special tradition of honesty, cooperatives have aspired to honest dealings with their members, which in turn has led to honest dealings with non-members. For the same reason, they have a bias towards openness : they are public organisations which regularly reveal to their membership, the public and governments considerable information on their operations.
6. The other ethical values emanate from the special relationships cooperatives have with their communities: they are open to members of those communities, and they have a commitment to assist individuals in helping themselves. They are partly collective institutions which exist in one or more communities. They have inherited traditions which have been concerned about the health of individuals within communities. They, therefore, have an obligation to strive to be socially responsible "in all their activities".
 Within their financial capacity to do so, many cooperatives have also demonstrated a remarkable capacity to care for others. Many of them have made significant contributions of human and financial resources to their communities. Many of them have provided extensive assistance to the growth of cooperatives throughout the developing world. It is a tradition of which cooperators should be proud; it reflects a value that they should emphasize.
7. In short, honesty, openness, social responsibility and caring for others are values which may be found in all kinds of organisations, but they are particularly cogent and undeniable within cooperative enterprise.

Principles – An Introductory Comment

1. Many people understand principles as iron-clad commandments that must be followed literally. In one sense, that is true in that principles should provide standards of measurement. In another sense, they should restrict, even prohibit, certain actions while encouraging others.

Principles, however, are more than commandments; they are also guidelines for judging behaviour and for making decisions. It is not enough to ask if a cooperative is following the letter of the principles; it is important to know if it is following their spirit, if the vision each principle affords, individually and collectively, is ingrained in the daily activities of the cooperative. From that perspective, principles are not a stale list to be

reviewed periodically and ritualistically; they are empowering frameworks-energizing agents-through which cooperatives can grasp the future.

2. The principles that form the heart of cooperatives are not independent of each other. They are subtly linked; when one is ignored, all are diminished. Cooperatives should not be judged exclusively on the basis of any one principle; rather, they should be evaluated on how well they adhere to the principles as an entirety.
3. Seven principles are listed in the 1995 Statement. They are : Voluntary and Open Membership; Democratic Member Control; Member Economic Participation; Autonomy and Independence; Education, Training and Information; Cooperation among Cooperatives; and Concern for Community. The first three principles essentially address the internal dynamics typical of any cooperative; the last four affect both the internal operation and the external relationships of cooperatives.

The “Voluntary and Open Membership” Principle

1. The beginning of the simple sentence explaining this principle emphasizes that “Cooperatives are voluntary organisations.” It reaffirms the fundamental importance of people choosing voluntarily to make a commitment to their cooperatives. People cannot be made cooperators. They must be given the opportunity to study and understand the values for which cooperatives stand; they must be allowed to participate freely.

Nevertheless, in many countries around the world economic pressures or government regulations have sometimes tended to push people into becoming members of some cooperatives. In those instances cooperatives have a special responsibility to ensure that all members are fully involved so that they will come to support their cooperatives on a voluntary basis.

2. The sentence continues by referring to how cooperatives admit members. It affirms that cooperatives are “open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political, or religious discrimination.” This statement reaffirms a general commitment basic to cooperatives since their emergence in the nineteenth century: a commitment to recognizing the fundamental dignity of all individuals, indeed, all peoples.

3. The phrase “open to all person able to use their services...” acknowledges that cooperatives are organised for specific purposes; in many instances, they can only effectively serve a certain kind of member or a limited number of members. For example, fishing cooperatives essentially serve fishing people; housing cooperatives can house only so many members; worker cooperatives can employ only a limited number of members. In other words, there may be understandable and acceptable reasons why a cooperative may impose a limit on membership.
4. The phrase “willing to accept the responsibilities of membership” reminds members that they have obligations to their cooperative. Such obligations vary somewhat from cooperative to cooperative, but they include exercising voting rights, participating in meetings, using the cooperatives services, and providing equity as the needs arise. It is a set of obligations that requires constant emphasis, but which should reap significant benefits-for both the member and the cooperative.
5. Cooperatives should ensure, through positive action, that there are no barriers to membership because of gender. Furthermore, cooperatives should ensure that women participate in equal number in their education and leadership development programmes.
6. Cooperatives should also reach out, either through their own activities, or through assisting in the development of new cooperatives, to all evident population groups and minorities able to benefit from cooperative enterprise. The basis for this involvement should not be charity; it should be the result of a careful, practical and innovative assessment of the possibilities for cooperative action.
7. The membership principle also prohibits discrimination based on “social” characteristics. “Social” refers, first of all, to discrimination based on class. Since its earliest years, the cooperative movement has sought to bring together people of different classes; indeed, that is what distinguished it from some other nineteenth century ideologies.

“Social” also refers to culture, in which might be included ethnic and, in some instances, national identity. This is a difficult concept, however, because a few cooperatives are organised specifically among cultural groups, very often minority cultural groups. These cooperatives have every right to exist as long as

they do not impede organisation of like cooperatives among other cultural groups; as long as they do not exploit non-members in their communities; and as long as they accept their responsibilities for fostering the development of the cooperative movement in their areas.

8. The principle also includes a reference to "race". In various drafts of the document circulated prior to the Congress, the reference to race was omitted. It had not been included in the belief that even the idea of "race" should not be accepted as an appropriate way to categorize human beings. "Race" can imply biological differences, a view that in the last 150 years has created cleavages within the human family resulting in bigotry, wars and genocide.

Discussions with cooperators around the world, however, suggested that not including a reference to "race" might be misleading: for example, some people, unfamiliar with the fundamental philosophic position of the cooperative movement, might conclude that it was acceptable to exclude people on the basis of "race". For that reason, it was included in the membership principle accepted at the Congress so that there can be no doubt as to the movement's position on the issue. Perhaps when the principles are reviewed the next time, the reference can be dropped.

9. Cooperatives should also be open to people regardless of their political affiliation. Since its beginnings, the cooperative movement has encouraged people of different political allegiances and ideologies to work together. In that sense, it has tried to transcend the traditional ideologies that have created so much tension, unrest, and warfare in the late nineteenth and twentieth centuries. Indeed, this capacity to bring diverse people together for common goals is one of the great promises the movement offers to the twenty-first century.
10. Almost all cooperatives admit members regardless of religious beliefs. There are some, most commonly financial cooperatives, that are organised by churches and religious communities. Such organisations do not negate the principle as long as they do not impede organisation of like cooperatives among other religious groups; as long as they do not exploit non-members in their communities; as long as they cooperate with other cooperatives in every possible way; and as long as they accept their responsibilities for fostering the development of the general

cooperative movement in their areas.

11. The Membership Principle has a close connection to the Education Principle and the Democratic Member Control principle. The membership can play its role only if it is informed and if there are effective communications among members, elected leaders, managers, and (where applicable) employees.

Moreover, the membership can only feel involved if it is consulted and if it is confident that it will be heard. In that sense, while there is a necessity for elected leaders, managers, and staff to be competent, they must also be able to understand their members fully, regardless of religious or political beliefs, gender or sexual preference, cultural or social background.

12. "Membership" is arguably the most powerful-but often the most underrated-of all the Principles. In essence, it means there should be a special relationship between the cooperative and the people it essentially serves. That relationship should define the business conducted by the cooperative, effect the way it does that business, and shape its plans for the future. Further, a recognition of the centrality of "membership" must mean that cooperatives will be committed to a particularly high level of service to members, the main reason for their existence.

The "Democratic Member Control" Principle

1. "Democracy" is a complex world. It can usefully be thought of as a listing of rights; indeed, the struggle for democratic rights on a political levels is a common theme of the history of the last two centuries. Within cooperatives, "democracy" includes considerations of rights; indeed, rights and responsibilities. But it also means more: it means fostering the spirit of democracy within cooperatives, a never-ending, difficult, valuable, even essential, task.

The first sentence of this Principle in the 1995 Statement reads: "Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions." This sentence emphasizes that members ultimately control their cooperatives; it also stresses that they do so in a democratic manner. Further, it reaffirms the right of members to be actively involved in setting policies and in making key decisions.

In many cooperatives, this active involvement occurs at general

meetings at which policy issues are discussed, major decisions are made, and important actions are approved. In other cooperatives, such as worker, marketing, or housing cooperatives, members are more routinely involved in the day-to-day operations of the cooperatives.

2. In all cooperatives, "men and women serving as elected representatives are accountable to the membership." This sentence reminds elected representatives that they hold their offices in trust for the immediate and long-term benefit of members. Cooperatives do not "being" to elected officials any more than they "belong" to the employees who report to these officials. They belong to the members, and all elected officials are accountable, at election time and throughout their mandate, for their action to the membership.
3. The third sentence of this principle reads: "In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner.

This sentence describes the customary rules for voting in cooperatives. The rule for primary cooperatives is self-evident. The rule for voting at other than the primary level is open-ended in the belief that cooperative movements themselves are best able to define what is democratic in a given circumstance. In many secondary and tertiary cooperatives, systems of proportional voting have been adopted so as to reflect the diversity of interest, the size of memberships in associated cooperatives, and the commitment among the cooperatives involved. Such agreements should be reviewed periodically, and it is usually unsatisfactory if the smallest cooperatives in such arrangements have so little influence that they feel they are essentially disenfranchised.

The "Member Economic Participation" Principle

1. The Principle reads: "members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members

in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.”

2. Cooperatives operate so that capital is the servant, not the master of the organisation. Cooperatives exist to meet the needs of people, and this Principle describes how members both invest in their cooperatives and decide how to allot surpluses.
3. “Members contribute equitably to and democratically control, the capital of their cooperative.” This statement reinforces both the need members to contribute capital to their cooperative and for them to do so in an equitable fashion. In essence, they can contribute capital in four ways.

First, in most cooperatives, members are required to invest in a membership share or shares in order to belong and to benefit from membership. Only rarely should such membership “share or shares” be paid any interest.

Second, as cooperatives prosper, they may create reserves, derived from the retained earnings of the organisation’s activities. Normally, all or significantly large proportion of these earnings are owned collectively, representing the collective accomplishments of members supporting their cooperative. In many jurisdictions this collective “capital” is not even divided among the members should the cooperative cease to exist; rather, it is distributed to community enterprises or other, associated cooperatives.

Third, cooperatives may have needs for capital far greater than what they can save from their economic activities. Many cooperatives expect that members will regularly contribute a portion of their dividends on some rotating basis or until retirement; in those cases cooperatives would not pay interest, the member benefiting from continuing participation and future dividends.

Fourth, cooperatives may have to make special appeals to members for further investments; indeed, more of them probably should do so. Under those circumstances, it is appropriate to pay interest on such investments, but at a “fair” rate. The return paid on such investments should be at a competitive, not a speculative rate: a reflection of what they have accomplished as a collectivity.

5. When the activities of cooperatives create surpluses, members

have the right and the obligation to decide how those surpluses should be allocated. They allocate such surpluses for any or all of the following-purposes.

- (a) They can choose to develop the cooperative, “possibly by setting up reserves, part of which at least would be indivisible”. This approach, which in many cooperatives should be the normal way to allocate surpluses that are not returned to members, is vitally important in securing the long-term viability of the cooperative.
- (b) They can choose to pay a return to members, usually referred to as the “dividend” based on the member’s participation in the cooperative. This is the traditional way to reward members for their support of cooperative.
- (c) They can support other activities that are approved by members.

One of the most important activities they can-and should-choose to support is the further development of the cooperative movement, locally, nationally, regionally and internationally.

The “Autonomy and Independence” Principle

1. Cooperatives in all parts of the world are very much affected by their relationship with the state governments determine the legislative framework within which cooperatives may function. In their taxation, economic and social policies, governments may be helpful or harmful in how they relate to cooperatives. For that reason, all cooperatives must be vigilant in developing open, clear relationships with governments.

At the same time, the Autonomy Principle addresses the essential need for cooperatives to be autonomous, in the same way that enterprises controlled by capital are autonomous in their dealings with governments.

2. The principle reads: “Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so freely and on terms that ensure democratic control by their members and maintain their cooperative autonomy.”
3. In referring to “other organisations”, the Principle acknowledges the fact that, around the world, more cooperatives are entering into joint projects with private sector firms, and there is no

reason to believe that this tendency will be reversed. It does stress, however, how important it is that cooperatives retain their freedom ultimately to control their own destiny whenever they enter such agreements.

The “Education, Training and Information” Principle

1. The cooperative movement has a long-standing and distinguished commitment to education. The 1995 principle reads: “Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.”
2. This Principle emphasizes the vital importance played by education and training within cooperatives. Education means more than just distributing information or encouraging patronage; it means engaging the minds of members, elected leaders, managers and employees to comprehend fully the complexity and richness of cooperative thought and action. Training means making sure that all those who are associated with cooperatives have the skills they require in order to carry out their responsibilities effectively.

Education and training are also important because they provide excellent opportunities whereby cooperative leaders can understand the needs of their membership. They should be conducted in such a way that they continuously assess the activities of the cooperative and suggest ways to improve operations or to provide new services. A cooperative that encourages effective two-way communications between its members and leaders, while operating in an effective manner, can rarely fail.

3. The Principle ends by recognizing that cooperatives have a particular responsibility to inform young people and opinion leaders (for example, politicians, public servants, media representatives, and educators) about the “nature and benefits” of cooperation. In recent decades, too many cooperatives in too many countries have ignored this responsibility. If cooperatives are to play the roles of which they are capable in the future, it is a responsibility that will have to be better met. People will not appreciate, they will not support what they do not understand.

“Cooperation Among Cooperatives”

1. This Principle reads: “Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.”

This Principle, first articulated in the 1966 restatement of principles, has been followed to varying degrees since the 1850s. It was never more important as a principle than in the 1990s. Cooperatives must be free, particularly from government interference, as they work out allegiances, mergers, and joint ventures among themselves as they try to achieve their full potential.

Indeed, cooperatives can only maximise their impact through practical, rigorous collaboration with each other. They can achieve much on a local level, but they must continually strive to achieve the benefits of large-scale organisations while maintaining the advantages of local involvement and ownership. It is a difficult balancing of interests: a perennial challenge for all cooperative structures and a test of cooperative ingenuity.

Cooperatives around the world must recognize more frequently the possibilities of more joint business ventures. They must enter into them in a practical manner, carefully protecting the interests of members even as they enhance them. They must consider, much more often than they have done in the past, the possibilities of international joint activities. In fact, as nation states lose their capacity to control the international economy, cooperatives have a unique opportunity to protect and expand the direct interests of ordinary people.

2. Cooperatives must also recognize, even more than in the past, the necessity of strengthening their support organisations and activities. It is relatively easy to become preoccupied with the concerns of a particular cooperative or kind of cooperative. It is not always easy to see that there is a general cooperative interest, based on the value of solidarity and the principle of cooperation among cooperatives. That is why general cooperative support organisations are necessary; that is why it is crucially important for different kinds of cooperatives to join together when speaking to government or promoting “the cooperative way” to the public.

The “Concern for Community” Principle

1. Cooperatives are organisations that exist primarily for the benefit of their members. Because of this strong association with members, often in a specific geographic space, cooperatives are also often closely tied to their communities. They have a special responsibility to ensure that the development of their communities – economically, socially, and culturally – is sustained. They have a responsibility to work steadily for the environmental protection of those communities. It is up to the members to decide how deep and in what specific ways a cooperative should make its contributions to their community. It is not, however, a responsibility that members should seek to avoid.

Conclusion

The cooperative principles cumulatively are the life blood of the movement. Derived from the values that have infused the movement from its beginnings, they shape the structures and determine the attitudes that provide the movement’s distinctive perspectives. They are the guidelines through which cooperators strive to develop their cooperative organisation. They are inherently practical principles, fashioned as much by generations of experience as by philosophical thought. They are, consequently, elastic, applicable with different degrees of detail to different kinds of cooperatives in different kinds of situations. Above all, they require cooperators to make decisions: for example, as to the nature of the democracy of their institutions, the roles of different stakeholders, and the allocation of surpluses that are created. They are the essential qualities that make cooperators effective, cooperatives distinct, and the cooperative movement valuable.

The 1995 Statement on the Cooperative Identity : This Statement was adopted at the 1995 Congress and General Assembly of the International Cooperative Alliance, held in Manchester to celebrate the Alliance’s Centenary, Recommended to the Congress by the ICA Board, the Statement was the product of a lengthy process of consultation involving thousands of cooperators around the world. The process was chaired by Ian MacPherson of Canada, who prepared numerous drafts of the Identity Statement and its Background Paper in an effort to understand the state and needs of the cooperative movement at the end of the twentieth century. He was assisted by a Resource Group that included Raija Itkonen from Finland, Hans Miinkner from Germany, Yehudah Paz from Israel, Masahiko Shiraishi from Japan, Hans-Detlef Wiilker from Germany and Bruce Thordarson, Director-General of the ICA.

Part-II
Action Plan

I. At Government Level

1. Amendment of Cooperative Laws in the following directions :
 - (a) Incorporation of Statement of Cooperative Identity adopted by International Cooperative Alliance in the Cooperative Law.
 - (b) Removal of restrictive provisions from Cooperative Laws for ensuring autonomous and independent functioning of cooperatives.
 - (c) Implementation of steps for development of cooperatives from the stage of instrumentality of the state to the stage of member owned, member used and member controlled economic enterprises.
 - (d) Transfer of powers and responsibility regarding administration and management of cooperatives from the State Department of Cooperation to cooperatives and their federations.

2. State Support to Cooperatives :

- (a) State support to cooperatives be so designed that it facilitates development of cooperatives as autonomous and independent member user owned and controlled enterprises.
- (b) The cooperatives having equity participation by Government should be allowed to redeem/refund the share capital to the Govt. As a policy, the Government should help cooperatives to prepare and implement a time bound programme for redemption of equity of the Government.
- (c) The National Policy on Cooperatives, which is in the offing, should specifically mention that state support to cooperatives shall be without any strings. It has to be based on a memorandum of understanding between the Government and the concerned cooperatives as mutually agreed by them.
- (d) The para statal bodies namely NCDC, NABARD etc. created to support cooperatives should not insist on Government guarantee for providing financial assistance to cooperatives.

- (e) The Government should not involve itself in any way in the recruitment, appointments and formulation of service conditions of managerial personnel of cooperatives.
- (f) Support of cooperatives to implement some of the economic programmes of the Government should be elicited on the basis of mutually agreed terms and conditions, but not through a directive. If cooperatives suffer loss on account of implementation of such programmes, Government should be obliged to meet these losses.
- (g) Cooperatives to be eligible for Government support and concessions should fulfill the following criteria:
 - i) They should be registered under Cooperative Law based on common economic needs of the members.
 - ii) Their bye-laws and business policies should incorporate the cooperative values and principles of cooperation in the statement of cooperative identity adopted by the ICA.
 - iii) They must have business dealings with atleast 75% of their members.

II. At Cooperatives' Level :

- (a) As recommended by Choudhary Brahm Perkash Committee the cooperatives should not accept equity contribution from the Government. The cooperatives having Government equity should prepare and implement a time bound programme for its redemption/refund.
- (b) With a view to making membership open, voluntary and broad based cooperatives at grass-root level (village level) may motivate the poor, e.g. artisans, labourers, women to become the members of cooperatives. In the initial stages cooperatives may organise self help groups of such sections of the people and eventually integrate them into their membership.
- (c) In order to enhance the involvement of women in cooperatives, concept of joint membership (wife and husband) should be implemented.
- (d) Each cooperative society should lay down responsibility norms for members. New members should sign a pledge to fulfill these responsibility/obligation norms at the time of their admission. Fulfillment of responsibility/obligation norms should form main/substantive agenda for deliberations at the General Body Meetings. Those members who have been failing to fulfill the

- norms continuously for three years may be delisted from membership of cooperative.
- (e) All the cooperative organisation should initiate a thorough analysis of their membership. Inactive/sleeping members may be delisted.
 - (f) With a view to ensuring effective implementation of principle of “democratic member control” the following steps may be taken :
 - i) Criteria for quorum for General Body needs re-thinking. For a General Body Meeting, presence of atleast 50% membership should be quorum.
 - ii) The Board of Directors/Managing Committee must be accountable to the members. The General Body, therefore, should be empowered to review the performance of the Board and if dissatisfied with its performance, it should have right to replace it even in middle of its (Board’s) tenure through elections.
 - iii) Every cooperative society should formulate some system for eliciting members’ feed-back/suggestions about the working of the society.
 - (g) The cooperative societies should develop an effective information system for the members, board members and opinion makers. Within the organisation, management information systems should be evolved and the executive management should continue to constantly pass on the information to the board members. For members of the cooperative societies, member information bulletin should be issued on a continuous basis. The federal cooperatives should bring out regular publications providing information relating to the business trends and policies and the steps taken by the federation for the benefit of the members.
 - (h) In order to ensure effectiveness of the education and training programmes for cooperatives, there is a need for strengthening resource base of cooperative unions. The present system of contribution to Cooperative Education Fund is required to be further revamped. Apart from contribution to Cooperative Education Fund, every cooperative society should set up apart a specified amount in its budget for conducting in-house education and training activities for the benefit of its members and elected representatives. It would be necessary that the cooperative society should have a long-term perspective for HRD at its level.
 - (i) There is no contradiction between professionalisation of

management and preservice and protection of cooperative identity. If the managerial personnel of cooperative is efficient and professional, achievement of organisational mission of cooperatives can be facilitated effectively. What is important is clarity about the role perception and freedom of operations at the level of professional managers in cooperatives. Every cooperative organisation should, therefore, formulate its personnel management policies keeping in view this perspective in mind.

- (j) As one of the principles of cooperation is cooperative among cooperatives, it is necessary to ensure the maintenance of organisational discipline within the structure of cooperative movement. The federal cooperatives should essentially function through their constituent units and in no case compete with them.
- (k) As recommended by the Ch. Brahm Perakash Committee, the federal cooperatives should undertake the following functions :
 - i) Safeguard the observance of the cooperative principles.
 - ii) Undertake research and evaluation and assist in preparation of perspective development plans of member cooperatives.
 - iii) Promote harmonious relations between member cooperatives.
 - iv) Help member cooperatives in the settlement of disputes among themselves and between a cooperative and its members.
 - v) Represent the interests of member cooperatives and lobby for policies and legislation favourable to cooperatives.
 - vi) Undertake business services on behalf of its members.
 - vii) Evolve viability norms for member cooperatives.
 - viii) Provide legal aid and advice.
 - ix) Provide any other services, at the behest of member cooperatives.
- (l) Since cooperatives are community based organisations, they have to evolve such policies as will ensure the development of communities economically, socially and culturally. The common community related issues need to be taken up by cooperatives such as environment free business practices and activities, health caring, schools, drinking water facilities, gender integration, child and women welfare, welfare of the aged, development of youth etc. With the entrustment of various development

programmes to village panchayats, there is a need for effective coordination between the cooperatives and village panchayats at the grass-root level.

Principles of Cooperation into Practice – IFFCO Experience

Virendra Kumar
Marketing Director, IFFCO

1.0 The Origin of IFFCO

Indian Farmers Fertiliser Cooperative Ltd. (IFFCO) is unique example of the world's greatest demonstration of cooperative-to-cooperative initiative of cooperative institutions of India and the United States of America. Indian cooperatives, with their wide network serving millions of farmers, had the monopoly of fertiliser distribution controlling more than 70 percent of the total fertiliser sales upto late sixties in India. Lack of production facilities of their own was proving to be a major constraint in the growth of cooperatives. In pursuance of the Government of India's liberalised policy, based on the recommendations of Sivaraman Committee, private trade also entered the fertiliser field. Public/private sector fertiliser units who were giving preference to cooperatives in fertiliser supplies, started patronising the private trade.

Cooperatives were looking for an assured and dependable source of supply of fertilisers to meet their requirement. The American cooperatives, influenced by the fact that the cooperatives in India who had been controlling more than 70 percent of the total fertiliser sales in the country, and yet had no control on fertiliser production, decided to extend help to Indian cooperatives in setting up their own production facilities. The cooperative league of USA through Cooperative Fertiliser International, consortium of cooperative fertiliser units suggested to the Government of India for the establishment of fertiliser manufacturing facilities in the cooperative sector. Based on the recommendations of the USAID survey team the Government of India accorded approval for establishing fertiliser production facilities in cooperative sector in the country. Accordingly, IFFCO came into being and was registered as a Multi-State cooperative society on November 3, 1967. IFFCO, is thus, the result of cooperation between cooperative movements in two countries helping each other without any profit motive.

The US Cooperatives through Cooperative Fertiliser Interna-

tional (CFI) provided a million dollar aid besides technical know-how to IFFCO. This aid provided technical know-how to IFFCO in establishing its two plants in Gujarat i.e. at Kalol and Kandla and also gave a fillip to the marketing seeding programme during 1970-1973.

2.0 Current Fertiliser Status and Role of Cooperatives in the Fertiliser Business

The Indian fertiliser industry has been supplying a substantial portion of the growing demand of fertilisers within the country. The installed capacity has reached a level of around 9.5 million tonnes of nitrogen and 2.9 million tonnes of phosphate nutrients as on March 31, 1997. India is the third largest fertiliser producer in the world. There are 60 large size fertiliser plants in the country, manufacturing a wide range of nitrogenous, phosphatic and complex fertilisers. Besides, there are 81 medium and small scale single superphosphate units.

The cooperative sector has come to play a significant role in the Indian Fertiliser Industry. In terms of nutrients, the share of cooperative sector in the installed capacity is 19.7% for nitrogen and 10.5% for phosphate. Indian Farmers Fertiliser Cooperative Limited (IFFCO) accounts for 64% of the installed capacity of Nitrogen and the total of the phosphate capacity in the cooperative sector. The total fertiliser production, capacity, and share of cooperatives in the country has been presented in Annexure-I and II.

3.0 Cooperative Identity

Cooperative movement in the World started with the establishment of Rochdale Society of Cooperative Pioneers in 1844 by Robert Owen. It was a consumer society and was based on the principle of Self-help and mutual help. The pioneers framed certain business rules, which later on termed as "Principles". Although they framed 15 principles but the following seven features were found very essential by the ICA inquiry committee, which regarded them as principles.

The Statement of New Cooperative Identity was discussed thoroughly at International Cooperative Alliance's (ICA) Centenary Celebration which was held in September 1995 at Manchester, UK. I reproduce below the newly defined definition values and principles of cooperation.

3.1 Definition

A cooperative is an autonomous association of persons united Voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

3.2 Values

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

3.3 Principles

The cooperative principles are guidelines by which cooperatives put their values into practice. The seven principles as listed by ICA are given below :

1. First Principle : Voluntary and open membership
2. Second Principle : Democratic Member Control
3. Third Principle : Member Economic Participation
4. Fourth Principle : Autonomy and Independence
5. Fifth Principle : Education, Training and information
6. Sixth Principle : Cooperation Among Cooperatives
7. Seventh Principle : Concern for Community

4.0 Practicing Cooperative Principles

4.1 First Principle : Voluntary and Open Membership

“Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibility of membership without gender, social, racial, political or religious discrimination”.

The membership of IFFCO is open to all primary cooperative societies from village to state/national cooperative federation of agricultural credit/marketing/processing/supply and other agricultural cooperative societies. These societies chose to become members of IFFCO Voluntarily without being subjected to any economic pressure or government regulations, and contributed willingly to the share

capital of IFFCO. These member societies provided equity to IFFCO in terms of three categories of shares with value of Rs. 1,000/- each generally held by primary agricultural societies at village level, Rs. 10,000/- each generally held by District and Primary Marketing Societies and Rs. 1,00,000/- each generally held by National/State/Regional Federations, large processing Cooperatives, District and Central Cooperative Banks, Central/other Cooperative Societies and Government of India. Over the years, IFFCO has grown in strength from a models membership of 57 Societies in 1967-68 to 33,260 as on 31.03.1997. The classification of member societies according to the category of shares held by them as on 31.3.1997 is as follows :

<i>Value of Share</i>	<i>No. of Societies</i>
Rs. 1,000/-	31,107
Rs. 10,000/-	1,828
Rs. 1,00,000/-	325
Total	33,260

Majority of share holders of IFFCO are financially weak and small cooperative societies whose resources are not even adequate enough to run their normal business. This affirms the fact that IFFCO doesn't make any economic discrimination in admitting Cooperatives as members.

4.2 Second Principle : Democratic Member Control :

“Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and Women serving and elected representatives are accountable to the members. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels, are also organised in a democratic manner.”

The affairs of the Society, are governed and supervised by a democratically elected body which is supreme and guides the management of IFFCO. The Bye-laws of Society provide for constitution of a Representative General Body, (RGB) through a process of election of a delegate, by about 200 member societies in a constituency formed for the purpose. The Society designed an elaborate, comprehensive and practical procedure for conducting election of delegates to the RGB, based on equal voting Rights (one member, one vote) irrespective of the number of shares held by them.

The Society has a Board of Directors representing all levels of member Societies. In order that, each participating state's cooperative system has a direct representation on the Board a provision has been made to have the Chairman of the State Apex Marketing Federation/ Managing Director as the member of the board. These representatives of State Federations are democratically elected by the smaller constituent societies of the federations.

The RGB elects eight directors, for which suitable constituencies are demarcated for the entire area of operation of the Society. Besides, the Government of India and NCUI also nominate members on the Board of IFFCO. The Chairman and Vice-Chairman of the Board are elected from amongst the Board of Directors. Thus, IFFCO Board is a mix of elected and nominated members, which manages the affairs/administration through the Chief Executive i.e. Managing Director & Functional Director i.e. Marketing Director and Finance Director who are appointed by the Board of Directors with the approval of Appointment Committee of Cabinet (ACC) of Government of India.

Meeting of the RGB of IFFCO is held atleast once in a year, where the members actively participate in the review of the activities of the Society and setting the policies and making key-decisions, and important actions are approved. Thus, the members, are involved in the operations and controlling the affairs of IFFCO.

4.3 Third Principle : Member Economic Participation

This principle states that "Members contribute equitably to and democratically control the capital of their cooperatives. Members allocate surpluses, for any or all of the purposes including developing their cooperative, benefiting members in the proposition to their transactions with the cooperatives and supporting other activities as approved by them.

The member cooperatives of IFFCO have been participating in the share capital of IFFCO and contributed an amount of Rs. 67.4 crores as on 31.3.97 by subscribing to the shares of IFFCO. In the General Body Meeting of the Society, the members, decide upon the quantum of dividend to be paid to them on the amount of the share capital, subscribed by them.

Subject to the provision in the Multi-state Cooperative Societies Act and Rules framed thereunder, the net profits of IFFCO shall be distributed by the General Body as follows:

- i) At least 25 per cent shall be carried to the Reserve Fund;
- ii) Credit such portion, as is prescribed, to the Cooperative Education Fund maintained by the National Cooperative Union of India.
- iii) The remaining amount may be allocated to any or all the purposes detailed below :
 - (a) dividends on shares;
 - (b) rebate to members on purchases;
 - (c) building, education, charitable or any other funds.
- iv) The undistributed profits shall be added to the Reserve Fund of IFFCO.

4.4 Fourth Principle : Autonomy and Independence

“Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including government, or share capital, from external sources, they do so freely and on terms that ensure democratic control by their members and maintain their cooperative autonomy”.

IFFCO Board of Directors, comprising of 30 members, is responsible for direction and control of management of affairs of the society with in the broad policies laid-down by the General Body of IFFCO. The Board of IFFCO consists of 12 representatives from state federations, 5 Directors nominated by the Government of India, 8 Directors elected by the General Body, Chairman of National Cooperative Union of India, Managing Director of National Cooperative Development Corporation and 3 Functional Directors including the Chief Executive/Managing Director, Finance Director and Marketing Director.

The representatives of the state federations are generally Chairman who are democratically elected by the smaller constituent societies of the federations. Besides, 8 Directors are directly elected by the Representative General Body of IFFCO, essentially by the representatives of smaller societies mostly at village level. Therefore, there is a strong representation from lower level Cooperatives on the Board of IFFCO. The Chairman and Vice-chairman are elected from amongst the Board of Directors. Thus the process of election of Cooperatives provides equal opportunity to all village level and state level cooperatives to head the Board of a multi-state cooperative society.

4.5 Fifth Principle : Education, Training and Information

This principle states “Cooperatives provide education and training for their members, elected representatives, managers and employees, so they can contribute effectively to the development of their cooperatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of Cooperation.”

Keeping in view of the specific requirement of an area, IFFCO has evolved various programmes for the benefit of the members i.e. Farmers. By and large, these include demonstrations on farmers fields, field days, farmers meetings, Crop Seminars, Various agricultural campaigns, distribution of agricultural implements and plant protection equipments etc. Along with agricultural development in rural areas through its village adoption programme. IFFCO also undertook specific programmes viz., farmers integration, training and visit and farmers visit to research institutes and agri-varsities. Each year about a million farmers all over the country participate in the various extension education programmes organised by IFFCO and take the benefit of technology transfer. Intensive training programmes are also organised for its own staff to keep them abreast with the recent developments in agriculture, fertiliser use, cooperative movement and management. IFFCO also seeks the support of electronic and print media for disseminating the crop production technology. To assist agricultural research IFFCO has established 15 Professor's Chairs in the disciplines of Agronomy, Soil Science, Extension, Cooperation, Agri. Economics and Fertiliser Technology including Professional Chair at Vaikunth Mehta National Institute of Cooperative Management, Pune, India.

IFFCO, being a national level cooperative has been laying major emphasis in evolving and implementing cooperative member education and leadership development programmes to reorient them to meet the challenges emerging from the new economic environment. IFFCO organises training programmes for Cooperative personnel at grass-root level who are directly in close touch with the farming community. The cooperative personnel are trained about the package of practices for various crops, balanced fertilisation programme, efficient fertiliser use, fertiliser logistics and also rural marketing techniques. IFFCO also organises seminars on “Fertiliser Marketing through Cooperatives” at its Fertiliser Marketing Development Institute (FMDI), Gurgaon, for Cooperative personnel.

IFFCO has made significant contribution towards the cooperative education programme through National Cooperative Union of India (NCUI). Each year a handsome amount is being paid from the profit and since 1985-86 a total of almost Rs. 104 million (US \$ 3 million) has been paid towards the cooperative education by IFFCO, the highest contribution paid to NCUI by any single organisation.

4.6 Sixth Principle : Cooperation Among Cooperatives

“Cooperative serve their members most effectively and strengthen the Cooperative movement by working together through local, national, regional and international structures”.

Cooperative must also recognise the necessity of supporting and strengthening other cooperative organisations and their activities. Cooperatives should cooperate among themselves and join together to speak to the Government for promoting their common interests.

IFFCO has promoted a sister organisation, Krishak Bharti Cooperative Limited (KRIBHCO) with an investment of Rs. 97 crore (US\$ 28 million) to the share capital. The fertiliser complex at Hazira has been maintaining a high order of performance with a high production capacity utilisation of urea.

IFFCO has also invested Rs. 1.00 lakh in Indian Tourism Cooperative Limited (COOPTOUR) and National Films and Finance Arts Cooperative Limited (NAFFAC). The society has also made investment of Rs. 1.00 lakh in Maharashtra State Cooperative Bank Limited.

IFFCO has also promoted “The Cooperative Rural Development Trust (CORDET) and has been providing practical training to the farmers to improve their skills in agricultural production, dairy, horticulture, poultry, fisheries and also inculcate professional leadership at village level. The trust has two establishments one at Phulpur in Uttar Pradesh and the other at Kalol in Gujarat.

IFFCO is also active member of International Cooperative Alliance (ICA), National Cooperative Business Association (NCBA) and Agriculture Cooperative Development International (ACDI).

4.7 Seventh Principle : Concern for Community

“Cooperatives work for the sustainable development of their communities through the policies approved by their members.”

Cooperative are organisations, generally exist for the benefits of

their members. Cooperatives have special responsibility to ensure the development of their community economically, socially and culturally.

As an organisation that is keenly interested in the development of farming community, IFFCO initiated the village adoption programme in order to bring about overall improvement in the quality of life of the farming community through integrated rural development. In addition to the regular promotional activities.

IFFCO has also taken up social development programmes like medical care, drinking water supply, veterinary services and aid to village schools in these villages.

IFFCO also makes donations out of its surplus, as approved by the General Body, for the welfare of the community, at the times of natural calamities including floods/earthquake/draughts and also towards charitable purposes.

Some of the special projects to help the community are listed below :

4.7.1 Cooperative Development Programme

Coinciding with the Golden Jubilee Year of Independence Celebrations, IFFCO has launched an ambitious programme of adopting 500 village level cooperative societies and establishing 50 storage-cum-community centres spread over the entire country. The main aim of adopting the societies is to enhance the financial, infrastructural and managerial capabilities of the adopted societies. IFFCO will provide financial support to the societies to the extent of Rs. 60,000 per society. The storage-cum-community centres will provide information on agricultural technology to the farmers and will serve as centres for organising social and agricultural extension activities. These centres will also be linked with agro input supplies. A budget provision of Rs. 2 lakh per centre has been made. The total expenses on account of adoption of the cooperative societies and establishing storage-cum-community centres taken together will be Rs. 4 crore.

4.7.2 IFFDC Project

The Indian Farm Forestry Development Cooperative Ltd. (IFFDC) has been promoted by IFFCO and registered as a multi-state cooperative society. The broad objective of IFFDC is to promote afforestation on waste lands through Primary Farm Forestry

Cooperative Societies (PFFCS) at village level. At present IFFDC is maintaining a pilot forestry project of IFFCO started in 1986-87 and also the IFFDC project sponsored by IFFCO and India Canada Environment Facility (ICEF) for a period of 5 year since April 1, 1995.

4.7.3 Special Projects

To facilitate transfer of technology, certain special projects are launched in the areas of dryland agriculture, tribal/backward area development, land reclamation, bio-fertilisers, bio-pesticides plastic in agriculture, farm implements, micro-irrigation system, integrated plant nutrient management system (IPNS), wasteland development, watershed management. FAO collaborated project on IPNS envisage bringing out an IPNS manual based on IFFCO-IPNS experience for extension workers and others. Pilot work as integrated Pest management was also introduced during the year at selected locations.

5.0 Return to the roots - Conclusion

IFFCO's experience thus has clearly demonstrated that a Cooperative Society can succeed even in high investment, high technology areas like fertiliser production because of its strong foundation on principles of Cooperation into practice. The entire production can be marketed through the member cooperative societies. The large scale extension activities and cooperative development programmes have strengthened the bond between IFFCO and the Indian Farmers who are the consumers as well as members of the village level cooperative societies. The confidence generated by this success has paved way for a vigorous growth programme to expand its existing units as well as establish new units. This will enable IFFCO to emerge as a global leader in production and marketing of chemical fertilisers located in a single country.

The basic philosophy of cooperation, particularly the principles of democratic member control and concern for community, has been the soul of decision making of IFFCO, we have followed and translated these principles into practice and IFFCO grew because of the commitment to these principles. Infact, IFFCO has gained enough experience and expertise to develop a large scale economic cooperative venture with a dedicated work of over 25 years and this experience ready for being replicated in any part of the world and more particularly in Asian and African countries.

Annexure - I

**Capacity, Production and Capacity Utilisation
of N & P₂O₅ - India**

('000 Tonnes)

Year	N			P ₂ O ₅		
	Capacity	Prod.	Capacity UTI. (%)	Capacity	Prod.	Capacity UTI. (%)
1951-52	90	29	32	78	10	13
1961-62	283	154	54	182	65	36
1971-72	1487	949	64	534	290	54
1981-82	4719	3143	67	1408	950	69
1991-92	8282	7302	89	2806	2562	94
1992-93	8510	7431	88	2806	2321	83
1993-94	8844	7231	84	2817	1874	69
1994-95	8998	7944	91	2873	2563	91
1995-96	9134	8769	98	2858	2593	91
1996-97	9468	8592	93	2939	2559	87

Number of Nitrogenous Plants : 59

Number of Phosphatic Plants : 95 (Including 78 SSP/TSP plants).

Annexure - II

**Share of Cooperatives in Fertiliser Production
(1995-96 & 1996-97)**

('000 Tonnes)

ITEM	1995-96		1996-97	
	N	P ₂ O ₅	N	P ₂ O ₅
All-India	8769	2593	8592	2559
IFFCO	1012	361	1019	352
KRIBHCO	792	-	709	-
Total Coop.	1804	361	1728	352
Share (%)				
IFFCO	11.5	13.9	11.9	13.7
	(9.5)	(10.8)	(12.7)	(10.5)
Total Coop.	20.6	13.9	20.1	13.7
	(16.8)	(10.8)	(19.7)	(10.5)

() - Figures in brackets indicate percentage share in total capacity

The Practice of the ICA Cooperative Identity Statement (ICIS) in Indonesia (Why is it still difficult to apply)

Ibnoe Soedjono
Chairman of Advisory Board,
Credit Union Coordination of Indonesia

Historical Background

Indonesia has known cooperatives for almost 100 years, but familiarized itself with the cooperative principles (Rochdale Principles) only in 1950 when the cooperative society in Indonesia becomes a member of the ICA.

Even though the law is making provisions for cooperative development (Cooperative Act No. 91 Year 1927), the course of cooperative movement is uncertain. There is dichotomy in the development of cooperatives :

1. By the end of the 19th century, the Colonial Government introduced for the first time, cooperatives based on the Raiffeisen Agricultural Credit Cooperatives Model which was adopted widely in Germany since 1848. The strong social commitment of this Raiffeisen Cooperative Model was considered consistent with the very strong social collectivism in Indonesia at that time. The basis of cooperation and the motivation for self-help as well as mutual assistance were supposed to be able to integrate into a basis for cooperatives in Indonesia. Because of the big cultural gap, it was difficult for the cooperative concept (originating from the West) with the characteristics "from, by and for members" to have entry to the rural community. What had emerged was just programs from and by the Government to provide loan in the form of paddy to the people through the establishment of village barns (*lumbung desa*), while financial loan was provided by the village bank.

To stimulate interest for cooperation and to facilitate the formation of cooperative associations within the community, the colonial government had decided to introduce a law concerning cooperatives which was applicable exclusively to the indigenous community (Cooperative Act No. 91 Year 1927). This law was derived from the Indian Cooperative Societies Act 1904 as amended in 1912. Even so,

the growth of cooperatives was slow and in 1939, before the break-out of World War II, according to the formal statistic, the number of cooperatives in Indonesia was 656, of which 80% were credit cooperatives.

The slow growth was on one hand due to the people's condition, especially in rural areas where the standard of living was very low and the people were still unable to free themselves from the bonds of feudalism and paternalism, and on the other because the colonial governments attitude was passive even though accommodative and no effective guidelines were available to develop democratic cooperatives. From the very beginning the Government had assumed that it was the Government which knew better about the cooperative problem and this was reflected in the guidance provided to the people.

2. The Indonesian people, mainly intellectuals struggling for independence, regarded cooperative as essential to the improvement of welfare of people who were poor due to colonialism, but at the same time could serve also as a means to develop economic independence to complement political independence. Political parties at that time were encouraging and urging the establishment of cooperatives as part of the programs to attain Indonesian independence. The people's response mainly in urban areas was tremendous and cooperatives were set up everywhere which reached its climax in 1934. But the rapid growth of cooperatives was also followed by their rapid disintegration. This was due to the lack of experience and know-how of organization and business, weak management, dishonesty of the managing staff and absence of clear guidelines. Cooperative activities in this context were generally carried out free from the role of the colonial government. Those advocating cooperatives were very impressed by the success of cooperatives in the West, because many of the political party leaders had at that time obtained their education in the Netherlands and studied cooperatives in Europe.

During the Japanese occupation, cooperatives were stopped completely and replaced by "kumiai's", people's organizations based on Japanese version, to collect agricultural products for Asia-Pacific war purposes and to distribute food-stuffs acquired by the Japanese government.

Cooperative Principles

After the Proclamation of Independence in 1945, the people's

aspiration to set up cooperatives was on the rise again. But the cooperatives set up were not free from the "kumiai" influence and the claim to act as distributor of food-stuffs acquired by the government.

After the attainment of independence, the founders of the Republic of Indonesia have drawn up a constitution in which cooperatives as an enterprise form are made a model of economic democracy. The conceptors of economic democracy which is to serve as the basis of the Indonesian economic system, are those who during the Dutch rule had studied and acquired knowledge of cooperatives in Europe.

They are convinced that cooperative is an enterprise form suitable to the independent Indonesian economic system. A prominent figure from the group was Dr. Mohamad Hatta who became Vice President of the Republic of Indonesia. Dr. Hatta was a staunch supporter and the role of cooperatives and found that the Rochdale Principles as the basis and the guidelines for cooperative activities should be observed consistently by the cooperatives.

A part from giving lectures in universities and at various meetings, Dr. Hatta on every occasion of the Indonesian Cooperative Day on 12 July, used to make a speech in a radio broadcast to the people to recommend and promote cooperatives.

As mentioned earlier, the cooperative society in Indonesia have adopted and followed the Rochdale Principles after joining ICA in 1950.

Contacts with institutions and organizations overseas, are made and intensified constantly, while government officials concerned with cooperatives are given opportunity - with the foreign assistance extended to Indonesia - to study cooperatives abroad.

So, a government man is more conscious of the role of cooperatives than the common people, and concerted efforts are made by the government to make people aware of the significance of cooperatives and the Rochdale Principles.

From the outset, the Indian setting has a big influence on the cooperative concept in Indonesia. It started with the introduction of the Cooperative Societies Act 1904 and 1912 which is continued in the international organizations, and conferences are often held in India.

The relevancy of cooperative concept in India is that, India like Indonesia is a developing country, therefore, cooperative policies and practices in that country are considered easier to apply in Indonesia.

For instance, the government policy to develop cooperatives according to the British-Indian pattern is as follows : "Where the establishment of cooperative societies as part of the prevailing social and economic conditions do not favour the development of self-help organizations from below, cooperative societies are often set-up at the initiative of the government with government assistance".

Such a policy is based on the assumption that once the cooperative is established, the members will learn on the job how to make the cooperative successful. This attitude is justified by the development theory that the government in developing countries really has a big role in development. Such a government role is affirmed in various cooperative laws in Indonesia, the degree of which depends on the prevailing political condition. In this context, a special department is created to spur cooperative development. This is essential for Indonesia where the cooperatives have been given an important role by the constitution.

The Rochdale Principles adopted as the basis for cooperatives according to the ICA version have always obtained direct or indirect affirmation in the laws and are expected to be understood and observed by the cooperative movement. On the basis of these principles, more exact criteria are established for people's economic organizations wishing to operate as cooperatives, so that the procedure of institution, the methods of operation and management may be adjusted accordingly.

In 1967, the cooperative principles as formulated in the ICA Congress 1966 in Vienna were incorporated in whole as a separate article with the law and this was done again in 1992 when a new law was superseding the law of 1967.

However, there is a fundamental difference in the interpretation of cooperative principles mentioned in the two laws.

In the law of 1967, the cooperative principles formulated in the ICA Congress 1967 in Vienna were stated in whole and elaborated in articles and clarifications according to ICA perception with the necessary adjustment based on the Indonesian condition. There are no elaboration and clarifications in the law of 1992, thus giving cause to misinterpretation and is prone to manipulation. The arrangement for surplus distribution has mentioned that surplus is distributed to members based on the members transaction with their cooperatives, but the surplus to be distributed is not derived from members participation only but also from third parties.

Unlike the law of 1967, which sees clearly the differences between Cooperative and Corporation and therefore make it possible for cooperatives to get exemption from income tax on surplus derived from members, the law of 1992 doesn't discriminate between cooperative and corporation so that the whole surplus of the cooperatives is liable to income tax.

During the 25 year period of the enforcement of the law of 1967, many mistakes in the perception and implementation of cooperative principles have been corrected and these universal principles have been adopted by the government as a guide for cooperative activities.

In practice, however, it is not easy to safeguard these principles for the following reasons:

1. *Internal Causes* : In developing countries, including Indonesia, membership consists generally of people with low income and poor education.

This condition has a great influence on the ways people are to solve their economic problems and to meet their short-term and daily needs.

When joining a cooperative, the first thing that comes up in their minds is, what are they going to gain from the cooperative to meet their short-term needs. Borrow first and save later.

This may distort the cooperative principles. For material, political, or other reason one may take advantage of this condition to join a cooperative and to lead it.

2. *External Causes* : The free market economy is a great challenge to the function of cooperative principles. The very permissive and more flexible free market practices are very tempting to members and leaders of cooperatives as well as government people themselves to turn aside and violate the cooperative principles with the excuse that the free market system is more efficient and quicker to accommodate their economic need. Cooperative principles are mistakenly regarded as a stumbling-block for cooperatives to play a role in the free market.

Enforcement of the law 1967, to restore and strengthen cooperative principles distorted in 1960 due to political upheaval (in the wake of the coup by the communist party) was only effective for about 10 years because of the change of government which made it possible to approach the cooperative problem in a different way.

Before the consolidation of the results of restoration and

strengthening measures was completed, the government introduced cooperatives which were oriented merely to business.

The government strategy was to develop cooperatives rapidly to keep pace with the fast growth in the other economic sectors as a result of the government protection and deregulation. The government took the view that to be successful, cooperatives should transform themselves into a business entity and, if necessary, disregard the non-economic aspects of cooperative and its principles because non-economic aspects were considered only as a burden hampering the company's competitive power and efficiency.

Even though the law of 1967 formally was still in force, it was no longer observed fully and was superseded by the new law of 1992.

The strong position of the government (due to the political structure) and the weak cooperative movement, bring about a situation in which the character and course of cooperatives development are determined by the policy and perception of the government rather than by the provisions of the law and cooperative principles themselves.

Formally, as a consequence of the era of deregulation, the law of 1992 is restricting very much the role of government, but at the same time a blank mandate is provided to the government to make various provisions through government regulations. This is quite different compared with the law of 1967, which made further provisions (with parliamentary approval) for the restriction of government authority and control of government policies to make them transparent to the public.

In such a situation, the *autonomy* principle for cooperatives is just a concept which is hard to realize. The need of many cooperatives for government assistance tends to make cooperatives lose their autonomy, and in the implementation of specific government programs, many of the cooperatives have been given a role as government instrument.

What About ICIS?

Viewed from the process of cooperative identity development, ICIS is nothing new, also in Indonesia. Its history started when the Rochdale Principles were adapted and fully understood by the cooperatives in Indonesia and so there should be no difficulty to apply them.

The constraint has its source in the external condition in which commitment to ICIS is low.

The Indonesian cooperative society attended the 100th ICA Congress in Manchester and together with the cooperative movements of other countries present adopted ICIS.

The Indonesian government always represented also at various international meetings and at the Cooperative Minister's Conferences held by ICA-ROAP (the latest in Chiangmai in March 1997) where the cooperative principles and identity are discussed. But there are no clear signs that ICIS will be implemented in the near future, because no ICIS socialization activity has ever been organized.

Further, the discussions on cooperatives held by the government and cooperative movements recently were not geared toward ICIS and tended to question the effectivity and validity of the cooperative principles. Government officials concerned with cooperatives are mostly newcomers who don't have background knowledge and experience in the field of cooperative culture and tradition, and consequently have a different perception on cooperative matters. Many of them are supporting cooperative but look at it merely as a business entity and as such it should play an important role within the existing economic system without the "emotional" commitment to cooperative principles and identity themselves. The same thing happened in the cooperative movement which in the course of its development has become lenient without scrutiny to those who are less informed about the real meaning of cooperatives but for one reason or another have entered into the cooperative business.

In practice it is hard to tell the difference between a cooperative and a corporation. Cooperative supporters are very concerned to see this development and have advocated that the degeneration of cooperative values and violation of existing principles which bring about an *identity crisis* be redressed. Identity crisis has its course in three other crises, namely crisis of *ideology*, crisis of *leadership* and crisis of *credibility*. To remedy the identity crisis these three crises should first be given attention. The ideology crisis will end if the cooperative values are upheld and leadership is strengthened through the employment of people who have a deep sense of commitment and are consistent in the operation of the cooperative identity. When these two problems are solved then credibility is restored. Today many people are talking about the good things of cooperatives but only a few believe in this people's enterprise.

In this circumstance it is not easy to socialise, let alone, apply the ICIS due to the insufficient number of institution (with authority) able to support such steps and make the first move. Further, the number of cooperative association adhering to the cooperative principles (e.g. credit cooperative/CU) is too small to have impact. Besides, only a few people are willing or able to act as a moral force and motivate others to launch a ICIS socialization campaign.

Actually if the government has a strong commitment toward cooperative identity, its role will be very important and helpful, but from experience we know that it is not easy to have the goodwill and political will from the government to restore the cooperative identity, as this depends largely on the political agenda and policy of the government. The socialization and security of ICIS are in the first place the responsibility of the cooperative movement however small the cooperative may be.

To restore cooperative identity there is another difficulty which deserves attention, namely a cooperative law which does not have the necessary quality to support the cooperative identity. The law looks at a cooperative merely as a corporation and the cooperative principles stated therein are just to serve as legitimation without any sanction for violation. To amend the law in Indonesia is not easy, because under the existing procedure the parliament has difficulty in exercising its right of initiative and in practice the amendment of law and introduction of a new law is always initiated by the government.

From the internal point of view there should be no problem any more with ICIS as it is a reflection of development of values and principles which have been practiced for more than 100 years. The real problem is how to apply it in different conditions of the globalization era. There are three strategically important points which should be given attention.

1. *Cooperative Management* : We are familiar with the distinction between cooperative principles and cooperative practices and in this context cooperative management should serve as a bridge between principles and practices. Practices as a flexible concept may always be adjusted according to the changing circumstances without violating the cooperative principles themselves.

2. *Cooperative Entrepreneurship* : Creative and innovative ideas and actions in a cooperative should be matched with managerial and organizational skills without violation of the cooperative principles. With cooperative entrepreneurship all the cooperative resources may

be mobilized to respond to existing challenges and to compete in the global market economy.

3. *“Cooperative Man/Homo Cooperatives”* : Cooperative men are those who understand the cooperative identity thoroughly and endeavour to implement it consistently.

It should be pointed out that the cooperative system is only possible with “cooperative man”.

In this context it is proper to raise the question: what is ICA going to contribute to our endeavour to find a solution of the problem under discussion. Will ICA be able to use its influence to invite international institutions to increase their financial and other assistance to support forces in the cooperative movement and to enable them to develop ICIS, inter alia by supporting the development of cooperatives which is operating consistently with the cooperative identity to make it a point of orientation to other cooperatives.

Relevance of the ICA Co-operative Identity Statement to Consumer Co-operatives : Japan

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1. Disseminating the ICIS Concept

The consumer co-op sector had discussed and adopted "Consumer Co-operatives Guidelines" through the International Consumer Co-operative Organization (ICCO) at the global level and "Operating Guidelines for Consumer Co-operatives in Asia and the Pacific" through the ICA Consumer Co-operative Committee at the regional level. These guidelines were developed to interpret and supplement the ICIS from the viewpoints of consumer co-ops, thereby helping the member organizations to understand and practice the ICIS in their daily operations and activities. They provide the practical relevance of the ICIS, containing ideas and suggestions which can be easily taken into practices.

JCCU has undergone the perpetual process of disseminating the ICIS concept among co-op leaders, members and employees of primary co-ops since 1988 when we have made the extensive discussion of Mr. Lars Marcus' paper on Basic Co-operative Values, followed by Mr. S.A. Bök's Report submitted to the ICA Tokyo Congress. It has also made efforts to contribute to the global formulation of the ICIS through giving concrete advises to Dr. Ian MacPherson. We have translated all these important reports and published books and leaflets. More than 30,000 copies of the leaflets on the new Co-operative Principles were distributed and widely studied by the rank and file co-operators. The lectures and study groups were organized in most of provinces to learn the ICIS. Mr. I. Takamura has written a book entitled "Principles of Co-operative Management" both in Japanese and English, which was also an important contribution to disseminate the ICIS.

2. Practicing the ICIS in Daily Operations and Activities

The consumer co-ops have made a wide range of efforts to put the ICIS into practice in daily operations and activities. The rel-

evance of individual Principles may differ from one country to another and the manners to apply the ICIS may vary from one organization to another. But here I'd like to present examples pertaining to the most important principles; Member-centered principles, Autonomy principle and Community principle.

a) *Back to the Origin: Membership*

The membership is the overriding concept in the newly configured principles; the first 3 principles are concerned about membership itself and other principles confirm its sovereignty as well. However members apathy had been the prevailing phenomenon in most of the European co-ops where managers had sought to attract as many as customers, not confining their services to the shrinking, indifferent members. The discussion on the ICIS has brought the apparent change in the policy and practice in some of them. They found the biggest competitive edge against corporate chains would exist in the membership itself and started to serve to the members. For example, the CWS in U.K. re-registered the members aiming to identify the active members and distributed the monthly magazines "Members" and the yearly calendars attaching discount coupons. By this membership drive, it could register some 240,000 core members against nominal 2.6 million members who are largely dead or sleeping. The CWS has also issued the Dividend Card to give customers the tangible benefits, anticipating to recruit new committed members. The consumer co-ops in the Scandinavian countries introduced the members card with functions of credit card and recording purchases for calculating dividend.

In Japan, members have been the utmost stakeholders as owners, users and administrators of the co-ops. Such member-centered policy has partly reflected the existing legal framework outlawing non-member business, but more importantly resulted from the lessons acquired from bitter experiences. Now the members exceed 19.4 million, accounting for 40% of households. The individual member invests \$200 as share capital, purchases \$1,700 p.a. at co-ops and participate to the co-ops' administration through Han groups, district committees and the Boards. In this regard it can be said co-ops have established the Japanese model of member participation. However, the changing socio-economic environment forced co-ops to merge into the even larger societies to attain the economy of scale where the distance between

ordinary members and the Board/Management became greater. Especially it was felt difficult to reflect members' voice to the process of product development which required highly technical skill and the speed. Co-op Kobe started to evaluate and redevelop the own brand products of ca. 2,000 items through consulting with members panels, aiming to regenerate members participation, thereby strengthen the competitiveness.

Another example of practicing the ICIS is the initiatives to attain the gender equality. In Japan, women constitute the overwhelming majority of membership and therefore the bulk of Board members at the primary co-ops. However, their representation will be smaller at the regional/national levels and the higher the ladder of the management. The male managers at the top level and the female lay members at the grass root is the typical scene. This phenomenon strongly reflects the societal division of labour; men working as full-fledged workforce to earn money for families while women staying at home to take care of families or working only on the supplementary basis. It's also attributable to the low awareness of gender issues among managers, employees and members. JCCU started addressing the gender equality since 1991 by forming Women's Council, making investigation and action plans. The gender issues became recognized as one of the priority areas among both male and female leaders and study meetings on gender issues have been organized in some co-ops. This year such efforts have culminated at the JCCU's Congress when the female Board members has been increased from 2 out of 32 to 9 out of 40 as the affirmative action. This is regarded as a small but important step towards more complete gender equality.

b) Forging Autonomy and Independence

This principle is a most important addition to the past Principles of 1966 when it was not possible to enlist this for political reasons. It is still a number one priority in most of the developing countries and in transition economies. In Asia and the Pacific region, the Co-operative Ministerial Conferences had been conducive in introducing the changes in the legal and administrative framework towards the more autonomous operations of the co-ops, but it will take time for them to change the mind sets of both government officers and co-operative leaders to facilitate the autonomous and sustainable development

of co-ops and the constructive partnership between them. The revision of ILO Recommendation No. 127(1966) and the emerging UN Guidelines on Co-operatives will help change governments' attitude, but more important factor exists in the determination of co-op leaders and building of managerial capacity to attain real autonomy and independence.

In Japan, the consumer movement has evolved by its own, namely through the members' active participation. It has never accepted the government subsidies nor foreign assistance because it thought such external inputs might weaken co-op's self reliance and capacity to operate in the competitive market. In the course of evolution, a number of obstacles had been laid down by small retailers' associations which had pushed the governments to press co-ops as the potential competitors. However, co-ops had weathered such impediments by strengthening membership basis. Nowadays consumer co-ops enjoy quite an independent position to the central and local governments, but at the same time tend to become complacent without effective ties with the civil society. They are seeking to act as reliable partners with the public and private sectors to solve the most pressing issues of the contemporary society such as environmental conservation and care for the aging population which can not be tackled with by co-ops alone. There exist some joint programs among governments, corporations, NPOs and co-ops; Green Purchasing Network for encouraging use of environmentally friendly products in offices and facilities, Life Cycle Assessment for evaluating alternative processes from production to disposal, Eco-Life Workshop for enhancing consumer awareness, etc.

c) Contribution to Rebuilding Community

This is also an important addition since co-op's mission isn't to end at the service to members; it extends to work for the sustainable development of their community through policies approved by them. In many parts of the world, consumer co-ops are making the pioneering efforts for environmental protection through changing operations to save energy/resources and reduce emission/wastes which cause negative impacts on the environment. They are also active to raise consumers awareness and behaviour affecting the environment. Some community co-ops are supplying daily necessities to the shrinking population in the remote or mountainous areas.

The extraordinary event had shown the invariable ties between co-op and the community when a great earthquake had hit Kobe region in January 1995. More than 6,000 residents were killed while all the life lines (water, electricity, gas, telephone, transportation etc.) had fatal damages. 15 stores and head office of Co-op Kobe had been totally destroyed. Under such circumstances, Co-op Kobe resumed its operations to serve the populations and communities at large on that day. The managers and employees reached to their stores on foot or by bike and sold the available products at the regular or even cheaper price at the temporary stalls. The joint purchase operations were also resumed by hand-writing because the central computer system was destroyed. Members also started to help neighbours and victims voluntarily. The co-op employees of more than 10,000 man-days rushed to Kobe with their vehicles and supplies from all over the country. In addition, Co-op Kobe had supplied foods and blankets to the local rescue centres based on the agreements with local governments in case of emergency. It is said such efforts had contributed to prevention of panic situation and early stabilization of peoples life. It was often cited a member is saying "Co-op will never cheat us as Co-op is ours". Such a contribution was made possible since Co-op Kobe has made a long standing endeavour to root in the communities for several decades and won the confidence among the communities.

3. Critical Experiences Detaching from the ICIS

At the same time we have witnessed a number of co-ops detaching from the ICIS in the past decades; facing tougher competition, they imitated the competitors and lost the *raison d'être* to be co-operative. In most cases they failed to survive as the business enterprise as well. Such negative experiences only contributed to strengthening our belief in the ICIS. Here I'd like to depict some critical experiences to draw some lessons.

a) Financial Crisis and Bankruptcy

The so-called bubble economy had influenced management of some co-ops which faced the serious financial crisis including bankruptcy. A small co-op in Tokyo went bankrupt this year mainly because opening of the extravagant store and restaurant. Three consumer co-ops in Hokkaido have faced the serious financial crisis since last year and one of them was filed in the

compulsory arbitration. They are now undertaking restructuring and rehabilitating measures under the financial and technical support of JCCU and other co-ops. The common features of these events are; management domination in the Board, its inappropriate decision on investment, manipulation of accounts, lack disclosure of the real state of finance etc. In any case they are breaching basic values of honesty, openness and social responsibility. These matters were critically discussed in the JCCU Congress this year and special solidarity fund and support organism will be created in JCCU.

b) Lost Autonomy and Member's Control

In the Industrial countries after World War II, generally speaking consumer co-ops have had neither subsidies nor interference from the government. In other words, they are regarded as the purely private entities as the corporate enterprises and therefore have the equal footing with the latter. In this regard Co-ops' autonomy and independence is a self-evident matter. However they have risks to be dominated or converged by the private sector. In some countries, co-ops have raised capital from external sources including the stock market or converted to the joint stock companies. In those cases, members control was restricted to the extent of the outsiders interests which might dominate the whole structure. This had happened when coop AG had been controlled by banks and sold to a holding company in 1989. The CWS was threatened to be taken over by a young entrepreneur backed by the City but successfully fought back against such attack in April this year. These recent events have demonstrated the importance of the ICIS.

4. Integrating the ICIS into Long-term Planning

The ICIS should be disseminated not only among co-op leaders but the rank and file co-operators. It can be put into practice in the daily operations and activities, but should be integrated into long-term planning to ensure the sustainable application of the ICIS. JCCU adopted "Five Year Plan of Consumer Co-ops during 1996-2000" last year and "Co-op Ideals and Vision for Consumer Co-op for the 21st Century" this year in which the ICIS is incorporated.

"Five Year Plan" has set the ICIS as a starting point, understanding that co-ops could play their roles in the historical turning point and towards the next century only through clarifying Co-

operative Identity as independent membership organizations and strengthening the contribution to the society at large. It has placed special emphasis on the “increased social responsibility”, “openness in co-op administration”, “reform of business operations” and “intensified co-operation among co-ops”.

“Co-op Ideals for the 21st Century” crystallize the beliefs that will sustain the organization for decades. The ultimate goal of Co-op Ideals is “Creation of a more human lifestyle and sustainable society through the concerted efforts of individual citizens”. While the Vision describes how the co-operative movement should develop over the next ten years. The adopted Vision is “Co-ops will play a strong role in creating a more human lifestyle and sustainable society through operations and activities that enjoy the trust of the membership.”

Consumer Co-operatives Guidelines

In view of the preparation of the document presented at the Tokyo Congress in 1992, the entire world cooperative movement worked at how to update its values, principles and objectives.

During four long years, a committee collected, selected and systematised a large amount of different contributions; the outcome were important and significant conclusions and proposals which have yet to be reviewed and improved before the formal verification takes place in the 1995 Congress. In other words, we are in possession of some solid and concrete indications on which to develop future ideas, and of precious reference points that will be a base to the complex work we have to carry out.

The cooperation concept is so full of history and humanity that its almost seems abstract and outdated. The concept is certainly not to be implemented in a single and compulsory way, since its nature allows it to be adapted to very different geographic, economic and social conditions.

Let's ask ourselves as openly and sincerely as possible which role is to be entrusted to cooperation within the structure and dynamics of society. In this connection, we find the reply given by Albrecht Schoene, *Eurocoop's Secretary General*, convincing, and we therefore have nothing to add: *"The coops must constantly bear in mind their traditional values and draw their strength for the future in their history. Freedom of exchange, equal rights and equal progress and solidarity opportunities among citizens are the cooperative ideas underlying the new global economy. Progress and democracy are among other things the conditions that favour the development of cooperation in peace and harmony."*

The unitarian structure of the cooperative principles defined by the ICA urges us all to identify the logical system within which the inevitable differences existing between our cooperatives can be harmonised and conciliated.

In this connection, we think that we can identify a few particularly significant *responsibilities* which are relevant to the matters of our concern. In other words, these *responsibilities* are towards:

- * members and procedures of cooperative democracy
- * our heritage and ideals

- * consumers
- * employees
- * suppliers
- * the environment
- * public institutions
- * the world community
- * the entire cooperative movement

Let's remember that the above mentioned responsibilities are more or less directly conditioned by the requirement of carrying out *effective trade activity*, and consequently some good results.

Effective trade activity and good results are obviously indispensable for the cooperative societies obtainment of the profits that are essential in order to offer services to members and to guarantee an effective social policy; in other words, to fulfil the above mentioned responsibilities.

We have made a list of nine responsibilities which can generally speaking be considered as having the same importance. Nevertheless, the first is certainly the most representative.

Responsibility towards members means that members, as cooperators, are subject to and bearers of "natural" rights which the cooperative organisation must respectfully, without any exception. The rights deriving from being a "member-user" and at the same time a "member-owner" must especially be developed and protected. The second role in particular requires the adoption of economic participation factors that involve the member as much as possible, so as to perform the function of programming strategic and administrative directions and of controlling results. The cooperative movement is aware that definitive control formulas are difficult to adopt; however, progress has to be made through experimental innovation processes in order to keep cooperatives and the movement as a whole - on the right path and to avoid bureaucratic and technocratic degeneration. Thus responsibility towards members also becomes *responsibility towards the democratic principles*, including participation, which means establishing rules that apply to all with no exceptions (the main one being one member one vote). This means preventing any arbitrary behaviour in the functioning of the organisms, as well as any manipulation of democratic processes, and promoting the transparent training of managing groups, and the widest and most active possible participation of the social base in the choices made by consumer cooperatives.

Last but not least, let us forget that, as far as the necessity of carrying out effective trade activity is concerned, responsibility towards members will always mean offering them with concrete economic benefits, coupled with good social, cultural and leisure time facilities.

Responsibility towards our heritage and ideals is in tight connection with the above. In particular, the responsibility towards the coop heritage is the essential condition for cooperation to exist, and it is the tool without which all becomes mere theory. It is worth stressing that a decisive portion of the heritage in cooperative experience lies in its *image*, that is to say, the external and general reflection of the behaviour of all those living and working within the cooperative movement. This fact stresses the importance of a specific notion of responsibility towards our ideals, which implies defending and updating the characteristics that distinguish consumer cooperatives from other forms of distribution, and organising member and consumer training wherever socially useful. It is important to stress the fact that consumer cooperatives are not only rational and efficient in their trade activities, but also in the social and cultural field, being the forerunners of a unique model which others are trying to reproduce in vain.

The remaining seven responsibilities pertain more directly to management activities.

Just as important is *the responsibility towards consumers* which implies applying a competitive and effective policy that satisfies consumer requirements in the following areas :

- * *competitive prices* (which involves elaborating a price policy aimed at protecting purchasing power)
- * *product and assortment quality* (which involves responding to the requirement for safety and health protection)
- * *improved service* (which involves structuring shopping according to the information requirements of the consumer and the organisation of his/her time).

More generally, this requires the cooperatives' commitment in keeping in step with consumers, by studying society and individuals, in order to get a better understanding of the market and to promote an increased awareness in choices and models of consumption, while also bearing in mind the growing cultural and individual differences.

Responsibility towards employees, which is not limited to

recognising contract guarantees, protecting work positions or encouraging participation, yet which also extends to the duty of organising ever more advanced and original forms of employee involvement in cooperative management, as well as in the definition of economic and social strategic objectives. However, considering the economic crisis that has hit many cooperatives, it is important, for future plans, that employees be just as aware, as is the management, of the need of being operative and of developing the features that distinguish us in the middle of ever fiercer competition. From this point of view, the development of serious and comprehensive training programs is fundamental, not only in order to exploit new and existing skills, but also to face the sudden market changes.

Responsibility towards suppliers expresses the contribution to market transparency and to more functional relations aimed at reducing costs while increasing consumer benefits. It also involves the commitment to sustaining the manufacturing companies which work for quality in environmentally acceptable ways and at reasonable costs.

Responsibility towards the environment is an issue which is of ever greater concern to our members.

The seriousness of the problem is not only limited to local or circumscribed areas (dangerous nuclear plants, animal species in extinction, healthy food, etc.), but concerns humanity in general, as well as the health of our planet.

Consumer cooperatives intend to take action on the market in order to counteract the over-abundance produced by industrial societies, to build a relationship with nature by using the resources without destroying them, so as to set up an ecocompatible form of development.

This entails the urgent establishment - as a complement to the "production culture" - of a "reproduction culture", requiring the constant attention of social and economic entities to all the recycling possibilities of the materials used in manufacturing products.

Responsibility towards public institutions is the necessity of interacting and communicating with the public authorities without fear or hesitation, in order to serenely call their attention to the entrepreneurial importance that the cooperative movement enjoys within the national economy, as well as to its role in social progress and in the promotion of citizens.

Responsibility towards society is, in a certain sense, the sum of

various specific responsibilities. The themes which require our involvement could for example be: solidarity, the needs of humanity and peace.

Through Cooperation, various groups can also aim at improving quality. We are referring to consumer organisations, environmentalist groups and voluntary social organisations. Operative goals and social alliances could be established with these groups which, we trust, share the cooperative system of values, in order to obtain improvements, in the interest of all.

Responsibility towards the entire cooperative movement means taking part in the life of the national and international organisations, and practising “*external mutuality*” which represents the most advanced frontier in world cooperative development.

Operating Guideline For Consumer Co-operative in Asia & The Pacific

Consumer co-operatives are both social and commercial entities. They exist to provide their members with quality goods and services at reasonable prices. At the same time they must also make profits to grow and give a reasonable return on funds invested by members. They practice honesty, openness and social responsibility in all their activities.

This operating guidelines is prepared to assist consumer co-operatives reflect co-operative characteristics in their activities.

1. Economic Viability

The first and foremost aim of consumer co-operatives should be to achieve economic viability. Without profits, members would not enjoy any economic benefit and the co-operatives themselves would eventually have to close down. This implies that they should be run on sound management principles and must be fully competitive with private enterprise. They cannot expect privileged treatment by the Government as this would result in less of autonomy weak structures and not robust growth.

2. Distribution of Surplus

When there is a profit, funds should be first set aside for developing the business. This is necessary to secure the long term future of the co-operative. Next members should receive a return based on the extent to which they patronize the co-operative. At the

same time members who contribute capital could be paid a competitive rate of interest.

3. Meeting Members' Needs

Consumer co-operatives are member-driven organizations. As such they need to provide goods and services that cater to the changing lifestyle needs of members. Those needs should also be met effectively, which implies superior service, efficiency and competitive pricing.

4. Honesty and Openness

Consumer co-operatives traditionally have a special commitment to honesty which distinguished them in the market place. They should adopt good business practices. Goods sold should be fresh, wholesome and well within expiry date. Items should not be short weight.

Co-operatives also have a bias towards openness, they should regularly reveal to their membership information about their operations. They should also be prepared to provide all the information a customer needs to know in purchasing a product or service.

5. Ongoing Education

There is a necessity that elected leaders and managers are competent and honest. Ongoing education and training are provided to members, leaders, managers and employees so that they can carry out their respective roles effectively and also realize their full potential. Employees should be fairly compensated according to the standards of the market place so that good people are attracted and retained.

6. Effective Management

A co-operative must have effective management. Elected leaders as representatives of the members have specific roles and responsibilities of laying down policies and guidelines and general supervision of the affairs of the co-operative. Hired professional managers should be given considerable scope for the exercise of initiative, judgement and enterprise. Elected leaders should not interfere with the day to day running of the co-operative which should be left in the hands of hired professional managers. Members as owners should actively participate in electing competent leaders and influencing the basic policies of the co-operative.

7. Environmental Care

Consumer co-operative are also concerned about the deterioration of the environment in which we live in. Much can be done to resolving many of the problems. Mobilizing public opinion is a task which co-operative with their large membership bases can do with remarkable effectiveness. Co-operatives should also adopt business practices which are respectful of the environment.

8. Community Responsibility

Consumer co-operatives should conduct themselves as socially responsible corporate citizens and be actively involved in local community causes. Participation in community welfare caused is highly encouraged.

9. Cooperation Among Co-operatives

Co-operatives can serve the interest of their members more effectively when they collaborate among themselves at all levels. When co-operatives actively co-operate with each other, the whole can be much greater than the parts.

Agricultural Cooperative's Activities for Sustainable Development of Community in Korea

Practices evolved from the ICA 7th Principle

Kyou-Bo Shim
Executive Vice President,
National Agricultural Cooperative Federation

Introduction

The NACF was established in 1961 as the apex organization of agricultural cooperatives charged with the responsibility of enhancing the economic and social status of member farmers, as well as developing agriculture, improving the welfare of rural communities, and securing the balanced development of the national economy. It performs diversified business activities related to farming and rural life including agricultural marketing, supply of farm inputs and consumer goods, credit and banking services, warehousing, transportation, farm extension, and related support activities such as trade, research, and publication.

With 1,380 member cooperatives, various business centres and subsidiaries, the NACF has set up the largest and most competitive business network serving five million Korean farmers and civil communities.

It holds 40 percent of the agricultural market and its banking operations have made it the largest deposit bank in Korea, with total deposit of 40 billion U.S. dollars.

Moreover, the NACF is the agricultural policy partner of the Government as one of the most influential NGOs.

Environments surrounding agricultural cooperative sector in Korea

In recent years, the Korean economy has met with a number of extraordinary difficulties both at home and abroad. Among them, the balance of international payments and food security have become two of the most important problems of national concern.

Only two years since the inauguration of the WTO system,

liberalization has continued to progress rapidly and extensively in all industry and service sectors, including agriculture. With trade liberalization, food security has worsened for Korea, while some food exporting countries may have benefited from this new development.

Thus, the socio-economic environment facing the cooperative sector has been changing drastically in recent years, and competition between cooperatives and private enterprises is intensifying.

The Cooperatives, having contributed much to their societies, are changing in response to business pressures, and are seeking various structural, and managerial strategies for sustainable development in the approaching era.

To cope with such a changing environment, Korean agricultural cooperatives have striven for the benefits of member individuals and the sustainable development of their communities, including national concerns such as food security and environmental conservation.

With the inauguration of the new government in February 1993, a wide range of reforms was promoted within every aspect of Korean society. In accordance with the conclusion of the GATT, Uruguay Round and inauguration of the WTO system, it was necessary to enhance the competitiveness of Korean agriculture and to re-structure agricultural cooperatives. The NACF and its member co-operatives have initiated a number of reform programs since March 1994, when the second directly-elected Chairman and President of the NACF was inaugurated.

The NACF and member cooperatives have been doing their best to reform their business operations in order to provide practical benefits for member farmers. For this purpose, the NACF set "100 vital Projects" aimed at better serving member farmers from the year 1994.

We introduced such vital projects as the farmgate pickup service for farm produce and farm delivery service for farm inputs on a regular basis for the increased convenience of farm producers.

Additional top-priority emphasis was placed on the education of staff and member farmers as a means of tiding over the severely competitive agricultural environment. We began work on an educational reform program in 1995. In 1996, as "the Extension Service Reform Year", we concentrated our efforts on extension services for member farmers.

Today, the agricultural cooperative movement in Korea does not

remain only within the sectoral sphere of member farmers, but largely dedicates itself to the communities closely tied with cooperatives. This mandate toward community concerns takes on even more importance in cooperative activities, when considering the matter from a standpoint in which even private enterprises stress the need for social responsibility in their communities.

As adopted by the ICA, the 7th principle of "Concern for Community" pronounces a special responsibility to ensure that the development of community-economically, socially, and culturally is sustained. The agricultural cooperative movement places this principle as the highest to be pursued, and has developed initiatives for rural and national community concerns.

Our endeavours for community concerns

The NACF and member cooperatives have implemented a number of programs related to the development of community as a whole.

Environment projects for sustainable Development

Cooperation with Seoul City Government : On May 26, 1996, the NACF and the Seoul City government signed an agreement to jointly support the organic farms in the area around the Paldang Dam located in the upper Han River.

The farmers living in the area of drinking water sources for Seoul citizen have suffered from limited farming activities to conserve sound environment.

This agreement was regarded as a significant breakthrough to satisfy two sectors.

On the one hand, farmers in the area of the dam can conduct organic farming with the help from Seoul citizen. On the other, Seoul civilians can have access to better quality water.

Under the agreement, agricultural cooperative provide concessional loans to farmers while the Seoul Municipal Government supports the marketing of the organic farm commodities produced and compensates the difference between commercial and concessional interest rates.

Organic farming in this area is expected to not only supply consumers with healthier foods but also to protect the rural environment, which is at the root of drinking water sources.

In the era of local autonomy, the agreement is a good model of

cooperation between local government and agricultural cooperatives.

Cooperation with Banking Customers : In mid-1994, the NACF developed the new deposit item named Evergreen Bankbook which makes up the trust fund for national environmental conservation derived from a portion of deposit interest.

The depositors, volunteer customers, automatically commit one percent of their interest to the fund necessary for environmental conservation projects, and the NACF contributes double the total amount of interest ascribed by individual depositors. The NACF donates the accrued fund to local autonomous governments to use environment conservation activities.

The number of volunteer customers participating in the project totals around one million individuals, and the total amount of the fund has reached approximately 10 million U.S. dollars.

Soil revitalization movement : The NACF has boosted the 'Soil Revitalization Movement' since 1995 placing great emphasis on its activity as the basis for national environmental conservation and the mainstay for sustainable agriculture.

Under the 5-year integrated soil conservation project, the NACF has established a target for reducing the farmers' application of pesticides and chemical fertilizers to half the present level by the year 2004.

In order to implement the project, the NACF provided one thousand soil-test kits to group farmers, set up 11 NACF Soil-test Centers, and built 41 bulk blending-fertilizer factories cross the country.

Cooperation with the urban industrial sector

The NACF launched a campaign, "Agricultural and Industrial Community are rooted on the same origin" so as to cooperate for mutual development and prosperity.

In 1995, the NACF signed cooperative agreements with leading conglomerates in Korea, such as Samsung, Hyundai, Daewoo, and other enterprises, to seek collaborative services for the benefit of both communities.

- * The NACF and the A-San Social Welfare Foundation, a subsidiary of Hyundai Group, co-signed the Agreement for the Rural Medical Service Program on January 30, 1996.

This welfare program, in cooperation with Hyundai Group, has served to aid those farmers who suffer from accidental and chronic diseases.

According to the agreement, the A-San Foundation will designate its 10 General Hospitals to operate the Farmer's Medical Center with appointed doctors specializing in treating "Farmer's Syndrome". The NACF will take part in supporting this program by shouldering the medical bills and research expenses in uncovering the medical solutions for farmers.

In the program, fully equipped mobile vans bring the doctors regularly to the designated program areas. Economically disabled people including the aged and orphaned youth can see the doctors without charge as part of the social welfare program of the A-San Foundation.

At the same time, those farmers near the hospitals are encouraged to produce safe and quality farm products to be supplied to the hospitals at reasonable prices.

* On October 11, 1995, the NACF and the Korea Federation of Small Business (KFSB) signed an agreement on mutual cooperation for the development of both agriculture and small-sized enterprises in Korea.

To support the KFSB, agricultural cooperatives have displayed their commodities at the cooperative's chain store to promote sales of the products produced by small enterprises. Direct deals between farmers and enterprises also have been mediated by the two Federations. Member enterprises of the KFSB nationwide have purchased the NACF's farm commodity-sales coupons to promote the cooperative's sales.

The two parties have helped each other, as well, through the procurement of raw materials from agriculture and the purchase of farm inputs and consumer's goods from small industrial firm. We believe that this mutual cooperation will further improve the welfare of both farmers and urban labourers-oriented enterprises.

Further, these cooperation projects led to collaborative agreements with the social organizations representing the LIONS Club, the JC, the YMCA, the YWCA, and the ROTARY Club.

Establishment of Nationwide Housewife Network

The NACF and member cooperatives have activated cooperation

between urban and rural communities, and social services through their women's organizations.

The representative women's organizations fostered by the cooperatives are divided into two different groups;

One is the Alumnae Association of Agricultural Cooperative Housewives' School (AAACHS), which has served to improve their living culture as consumers, and by offering social activities.

The association, with 644 primary groups and 180 thousand individual members, has promoted social services and environmental conservation in regional communities, and has patronized domestic farm products since June, 1990.

The other is the Rural Housewives' Association (RHA) which has 1,211 primary groups, with 31 thousand individual members. This association aims to develop the rural income sources including its own income projects, the improvement of labour standards for women farmers, and the support of women's participation in their cooperative management.

These associations, as two pillars of women's groups in urban and rural communities, have kept a sisterhood relationship, seeking mutual benefits by mediating direct delivery of agricultural products and participating in community concerns through joint social programs.

Hospice Voluntary Service

The NACF is inaugurated the Hospice Voluntary Corps as part of its contributions to communities on June 27, 1997. The corps consists of two hundred nineteen volunteers in Seoul and Gyeonggi province among the Alumnae Association of Housewife's Schools that agricultural cooperatives have operated for social education for women in their communities.

The NACF commissioned a special hospice training institution to educate the hospice volunteers last May. After completing a supplementary training this month (August), the volunteers of the Corps are expected to provide their services in hospitals and at homes in collaboration with the Korea Hospice Association. The NACF plans to enlarge the hospice corps to the national level and particularly offer hospice services to patients in rural communities.

Cooperative Scholarships

The NACF donated annually about 3.7 million U.S. dollars for 17

thousand students. This project is aimed at invigorating the students to study hard, while mitigating the heavy educational burden of member farmers.

The NACF and its member cooperatives organized the "Scholarship Committee" which is composed of principals and representative farmers from each township. Since 1966, the NACF and member cooperatives have provided 46 million US dollars for 320 thousand students (middle school, high school, and colleges and universities.)

Funeral activities for the gray society

Amidst the shortage of labour due to aging and the increased role of women in rural society, it has been very important that the NACF and member cooperatives provide funeral services.

To effectively play this role, the NACF has operated funeral ceremony centers in 13 provinces, and provided 135 funeral buses to member cooperatives. Each member cooperative has organised a funeral activity group, which consists of youth club members, elder club members, and cooperative staff, to conduct the formalities of funeral ceremony for families.

Legal aid

The NACF has provided legal aid to defend the interests and rights of farmers who have poor knowledge of professional fields such as legislation and taxation against unfair practices.

On July 31, 1995, the NACF made an Agreement on Legal Aid for farmer with the Korea Legal Aid Corporation to conduct this activity. To build trust funds for this aid, in 1996, the NACF developed a deposit item named "Love to Farmers", designed to automatically commit over 0.4 percent of volunteer customers' interest to legal aid projects, and the NACF contributes to the fund two percent of equivalent interest paid to depositors.

Since July 1995, the NACF has processed a total of nine thousand legal aid applications, and has built an amount of 1.6 million dollars for the trust fund with a target of 11 million dollars by the year 2000.

Vision and sustainable development for the 21st century

Since 1961, multi-purpose agricultural cooperatives have played pivotal roles in rural development through diversified activities, and

contributed to increasing farmer's income and their social welfare.

On the occasion of its 35th anniversary in August 1996, the NACF and member cooperatives adopted a commitment to "the Vision and Development Strategy for the Twenty First Centuries".

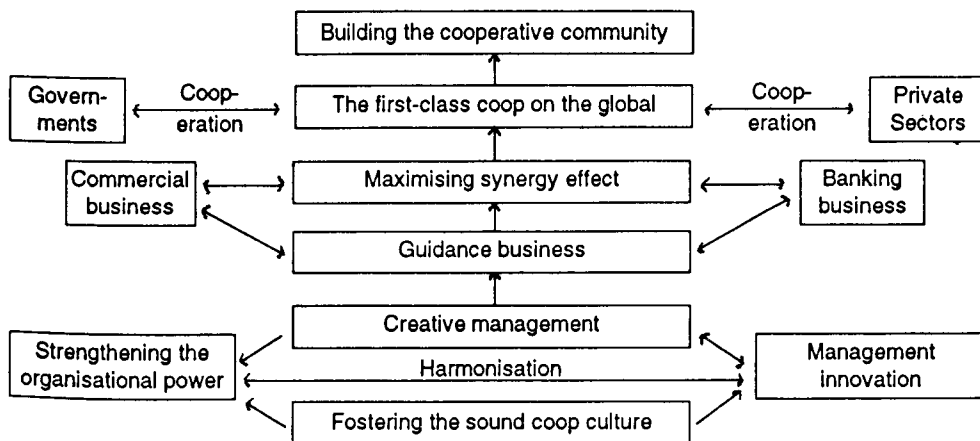
We will endeavour to increase average farm income to forty thousand US dollars as a prime target, and will target a market share of 40 percent in supply of farm inputs, 60 percent in agricultural marketing, and reach 100 billion US dollars in banking deposits and trusts by the year 2001.

We will achieve one of the best cooperative society on the global stage in the coming era by maximizing the synergy effects resulting from the multi-purpose cooperative business system with creative management on the basis of cooperative identities.

We will concentrate our efforts on constructing new cooperative management system differentiated from private enterprises, and harmonizing our organizational power with member farmers, and creating new management innovation. We will also focus our efforts on fostering sound cooperative culture and will construct socially responsible cooperatives loved by our nation's citizens with harmonizing producers and consumers.

In the forthcoming the twenty-first century, the principle of coexistence rather than competition will be favourably pursued. We will play the leading role in constructing cooperative community for all sharing happiness together.

THE VISION & DEVELOPMENT STRATEGY TOWARD THE 21ST CENTURY



The ICA Co-operative Identity Statement : From Theory to Practice Experiences in Malaysia (ANGKASA)

Nasir Khan
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ANGKASA, Malaysia

Re-Affirmation of Co-operative Values in The National Development Thinking

The affirmation of co-operative values in the national government policy thinking is well reflected in the statement of the Honourable Prime Minister, that, "In the development of the modern economy, co-operatives have their own niche. There are indeed many co-operative activities which carry with them concepts which are very superior in themselves". (The original text; *"Dalam pembangunan ekonomi moden, koperasi mempunyai tempat atau "niche" yang tersendiri. Memang terdapat banyak aktiviti di mana konsep koperasi mempunyai kelebihan tersendiri"*).

These sentiments are further re-affirmed in the 1994 budget speech which upholds growth with social justice : "Rapid economic growth, if pursued without purpose and direction, will indirectly affect the quality of life, erode good values and the spirit of togetherness, which are fundamental for achieving national unity. Our approach should lead to the enhancement of the quality of life, social harmony, justice and equity". These policy statements of the governments are a good indication of the conducive policy environment for the healthy growth of the co-operative movement in Malaysia. These same values are similarly cherished in the co-operative principles and values towards growth, social justice and equity.

Values such-as self-help, self-responsibility, democracy, equality, equity and solidarity are well known in Malaysia and can be found in the Rukun Negara as well as statements about Vision 2020. In view of our multi-ethnic society, Malaysians are more conscious of the need for solidarity or National Solidarity than in any other nation in the world.

Although the values in the seven principles may seem rather new, Malaysians are familiar with the ethical values in the nine challenges in Vision 2020 and the ethical systems of the respective religions in the country.

The Seven Principles

In Malaysia, cooperators and Government officials are already familiar with the notion of the principles of cooperation. In December 1992, Parliament passed the Cooperative Societies Act (Act 502). In the section dealing with interpretation, this Act states that the cooperative principles are :

- a) voluntary and open membership;
- b) democratic management;
- c) limited return on capital contributed by members;
- d) equitable division of profits;
- e) promotion of cooperative education; and
- f) active cooperation among registered societies.

While the ICA Statement lists seven principles and the Malaysian Act has six, there are many similarities between the two statements. However, there are a few significant differences which will be discussed below.

The seven principles are guidelines for the practice of cooperation and can be grouped into three categories :

- I. The essence of the cooperative identity (e.g. openness, democracy and autonomy). (1st, 2nd & 4th principles).
- II. The application of cooperation (i.e. the cooperative way in business as well as similarities and differences with the corporate way). (3rd principle)
- III. The social approaches of cooperation (e.g. education, the caring society and mutual cooperation). (5th, 6th & 7th principles)

I. Essential Cooperation (1st, 2nd and 4th principles)

The essence of the cooperative identity lies in its faith in the ability of the ordinary member to make rational decisions. Perhaps this may appear rather naive in our context especially when the so called Asian values celebrate the need for a kind of Confucian authoritarianism that is believed to be conducive to rapid economic development. Nevertheless, the seemingly authoritarian governments

of East Asia including some in South East Asia, normally pay at least token respect to the notion of democracy. Today, Malaysia in particular, is virtually exceptional in its practice of democracy in elections to parliament and the State Assemblies as well as to the leadership of the political parties.

Cooperatives are not exclusive or monopolistically oriented organizations. Individuals should be able to become members or withdraw with a high degree of freedom subject to the survival of the cooperative itself. For example, the board of directors should be able to curb the pace of the withdrawal of shares if there is a sudden run on the capital because this may create cashflow problems that could render the cooperative insolvent.

In our country, although there are some cooperatives that are exclusive to certain ethnic or religious groups, this practice is not extensive. "Gender" is well integrated into the membership patterns of the movement.

The Manchester concepts that are not mentioned in the Cooperative Act are, "autonomy" and "*independence*" (i.e. the fourth principle). Many political leaders and government officials frequently advise cooperatives to stand on their own feet. While this is a desirable attitude it is preached more often than it is practiced. Some of the failures of large and small, rural or urban cooperatives, have been the result of what the Japanese call a "top-down" approach to cooperative development. This happens not only within cooperatives established by development agencies but also in some cooperatives that have been fostered by political parties. The history of the last decade demonstrates that many large cooperatives have failed because they were promoted by parties other than the individuals who really wanted to fulfill their felt needs and who would have strived to form their cooperative on the basis of a "bottom-up" approach.

The Cooperative Societies Act has many provisions that are intended to ensure that individual members as well as cooperative societies do practise the second principle which is democratic member control. The same Act gives draconian powers to the Registrar-General of Cooperatives to oversee cooperatives and to direct how decisions should be made. The new Act (502) is a great improvement on the Cooperative Societies Act, 1948. The Act states, "Men and women serving as elected representatives are accountable to the membership". The ordinary membership now has more authority in decision making especially regarding financial matters such as investment, borrowing, as well as the annual budget which may not

be exceeded by five percent except with the approval of a general meeting.

If it is carefully interpreted it will be clear that in-between general meetings the decision making and policy making body is the board of directors, one-third of whom must retire at every annual general meeting. It will therefore, be a breach of this principle if the management were to be empowered to make substantial decisions involving large sums of money. Indeed, excessive delegation of authority and casual supervision are among the reasons why one cooperative bank came to grief.

There have been instances where the Board has been influenced by the manager to allow him to get things done because rather complex problems had to be solved in a short period of time. Board members will modestly and perhaps conveniently acknowledge that they cannot understand certain financial transactions, contracts or the purchase of IT hardware or software and therefore they leave it to the Manager to decide.

II. The Economic Way of Cooperation (3rd principle)

There are two broad matters that need to be understood regarding the 3rd principle. Firstly, there is the treatment of capital in a cooperative and secondly there is the proper way for the surplus or profits to be distributed.

Usually members understand the need to subscribe to the share capital of a cooperative. However, what they do not understand is the need to participate loyally in purchasing their goods at the consumer shop or selling their produce through the marketing cooperative. This aspect of member economic participation is being stressed in our education programmes.

The Act is quite specific regarding the distribution of capital gains from the sale or revaluation of land or buildings. For example, bonus shares from capital gains shall not be withdrawn by members, etc.

Shareholders receive limited returns on the capital that they have contributed. The Act specifies a maximum of 10% although this may be increased with permission from the Registrar General. Members may also be given bonus shares if the cooperative is exceptionally successful in its commercial operations.

Surpluses which is actually the common property of the cooperative usually allocated for three main purposes :

- a) Setting up reserves which will strengthen the capital base of the cooperative. In fact, the Act requires all cooperatives to put a minimum of 15% of the surplus into a reserve fund before any other distribution can be considered. Cooperatives may also set up other funds for education, welfare, etc.
- b) Making patronage payments or rebates. This is a share of the surplus that is distributed to members in proportion to their transactions with the cooperative.
- c) Finally, as a caring gesture, since one major reason why cooperatives were established was to aid consumers and producers who were being exploited, cooperatives make charitable donations or offer scholarships to the children of members and make grants to the families of members who have passed away.

III. The Social Approaches of Cooperation (5th, 6th & 7th principles)

These are the principles that are often given scant attention in the agendas of Malaysian cooperation.

In Malaysia there are three parties that are directly involved in cooperative education. The Department of Cooperative Development claims to provide classes or seminars for about 30,000 persons per annum. The Malaysian Cooperative College (MKM) which has a well-trained professional staff, conducts residential courses at the College or in the field. The MKM can cope with about 4,000 participants a year.

The National apex cooperative - ANGKASA, conducts most of its classes in the field. Members of cooperatives who live in the rural areas or who work in the factories find it difficult to come to Kuala Lumpur even for a short course of a few days. What usually happens is that the same office bearers of the cooperatives are selected again and again. Realizing that member education is the key to loyalty and resilience, ANGKASA has made it a policy to go to one or two cooperatives at a time and deliver a one or two-day course. This is particularly important for the integration of women into the movement. For cultural reasons, if nothing else, farmers are rather reluctant to let their wives and daughters travel to Kuala Lumpur and stay away from home for one or two nights. Furthermore, their cooperatives would have to bear considerable expenses for transportation, accommodation and food. So ANGKASA sends one or two lecturers to run courses on a variety of subjects, *in situ*. In this way it is able to serve not only the elected representatives but a good

proportion of the membership. The costs of all teaching materials and teaching apparatus are borne by ANGKASA which also provides RM 7.00 per head, per day for refreshments, etc. During 1996 over 34,000 cooperators participated in ANGKASA educational programmes.

The training is provided not only to ordinary members and office bearers but also to the professional managers of cooperatives and the workers in cooperative enterprises.

It has been found that Ministry officials and heads of schools, frequently do not understand cooperative principles or the cooperative way of doing business and the real differences between a cooperative and a private business.

The general public are also woefully ignorant of what cooperation is all about. Most Malaysians who are involved with cooperatives or who merely know of their existence, think that a cooperative is an institution where one can easily get a loan. Therefore it is important to make people aware of the real nature of cooperation and how it can be an alternative to the corporate way or to economic activities organized by Government agencies.

Two groups have been singled out for special mention regarding information : they are opinion leaders and young people.

There is an appalling tendency for opinion leaders to indulge in DIY (Do It Yourself) thinking regarding cooperatives. Some of their statements published in the media reflect their ignorance about cooperation.

Youths, including school children and university students, are constantly being informed about the nature and benefits of cooperation so that they may form cooperatives to meet their economic, social or cultural needs.

In Malaysia, the Ministry of Youth and Sports has a special programme called, "Rakan Muda" (Youth Fellowship), which has the broad objectives of guiding youths in the direction of concerned citizenship, national solidarity and healthy lifestyles. This is one of the future areas where cooperation may be able to make a useful contribution. Already ten thousand young women factory workers belong to factory workers cooperatives, where they organise consumer shops and day care centres.

Malaysia is one of the few countries where a high proportion of secondary schools have cooperatives.

These school cooperatives have well over a million members. Their activities range from canteens or bookshops to laundry services and savings facilities. Many participate in school tourism programmes both as hosts and as visitors. There is an annual competition at local, state and national levels for the best team that can create and recite pantun (traditional poems), perform public speaking and answer questions in a quiz that covers the history, principles, law and financing of cooperatives. It is very heartening to know that the democracy and commerce practised in school cooperatives will help to prepare the students for better careers and better citizenship.

The sixth principle suggests that if cooperatives work together through local, national, regional and international structures, they will be able to serve their members more effectively and also strengthen the movement. Cooperation among cooperatives depends on a variety of discrete protocols. One transaction does not necessarily evolve into another.

Malaysia has many good examples of local and national cooperatives in the field of finance. However, we have yet to see agricultural cooperatives supplying rice or vegetables to consumer cooperatives. So far, this task has been seen as the province of specialized Government agencies such as FAMA (Federal Agriculture Marketing Authority) and the FOA (Farmers Organization Authority) or RISDA (Rubber Industry Small Holders Development Authority).

All the financial, housing and land development cooperative are encouraged to cooperate and establish a Cooperative Central Bank which would have qualified professional staff to advise the Board of such cooperatives on their investments and help them to prepare loan project papers. It is estimated that at present, in Malaysia, the fixed deposits and current account balances of cooperatives which are held in the corporate banks total well over RM5 billion.

This is the age of tourism as much as it is the age of information. Nascent tourism already exists among Malaysian cooperatives as well as school cooperatives.

There are two aspects to cooperative tourism for school children. In the National context, school cooperatives organize visits to each other. In each case, the host will help the visiting cooperators to find cheap accommodation and food. It will introduce them not only to the local geography and culture including performances and cuisine but it will also organize visits to important areas involved in economic development such as Free Trade Zones, and manufacturing or local

industrial areas. The guests will be given talks on local history and other topics of interest. There will be visits to important historical sites and beautiful landscapes. At some future date the roles will be reversed and the guests will become the hosts.

As the slogan goes, "To know Malaysia is to love Malaysia". In a small way it is hoped that this school cooperative tourism which is spontaneous and voluntary, will foster a stronger sense of civic consciousness among school children.

A number of Travel cooperatives are directly involved in marketing packages of international tours. One cooperative arranges tour packages to Indonesia, Japan and Turkey. The cooperative tours include visits to successful cooperatives in the countries visited. This can easily be arranged because the hosts are themselves cooperatives involved in tourism.

The seventh principle is concern for the community.

According to the Prime Minister, Datuk Seri Dr Mahathir Mohamad, in his statement regarding Vision 2020, the seventh of the nine challenges that face Malaysians on their way to becoming a developed Nation, is as follows :

"It is the challenge of establishing a fully caring society and a caring culture, a social system in which society will come before self, in which the welfare of the people will revolve not around the state or the individual but around a strong and resilient family system."

It is interesting that the world cooperative movement also finds that cooperatives should be concerned with the future of the communities within whose areas they operate. Thus the ICA Statement advocates that cooperatives should work for sustainable development and that these exemplary ideals should be carried out through policies approved by their members.

In the private sector in modern Malaysia, especially in property development the scramble for large returns has led to the collapse of buildings and slopes, the sedimentation of rivers and the pollution of the atmosphere.

If cooperatives are to adopt balanced view, then at least they should not promote or invest in projects that will work counter to sustainable development.

Similarities and Differences

There remains the need to compare Malaysian cooperative principle with those accepted internationally. This can be done by

examining the similarities and differences between the three statements.

We can compare the principles as stated in the ANGKASA Manifesto, the Cooperative Societies Act and the Manchester Statement.

ANGKASA published its Cooperative Manifesto in Bahasa Malaysia on 24th May 1975. These principles were commonly accepted at that time. Obviously they need some reconsideration today.

The ANGKASA list of nine principles is as follows :

- 1) Democratic practice;
- 2) Voluntary Membership;
- 3) Fair returns on capital;
- 4) Patronage or rebates;
- 5) Return of shares according to investment;
- 6) The needs of society precede those of the members;
- 7) Political and religious neutrality;
- 8) The encouragement of education;
- 9) Cooperation between cooperatives at all levels.

With allowances for insignificant differences in syntax or order, five of the Manchester principles are similar to those listed in the Manifesto and the Act.

Democratic management and economic participation which are covered by the second and third Manchester principles are included under b, c, and d in the Act as well as the first five items in the Manifesto.

Whereas the Manchester principles refer to cooperation among cooperatives in areas extending from local to international structures, the Malaysian Act limits this principle to cooperation among registered cooperative societies. This could be given a generous interpretation to include registered societies outside Malaysia. So far, however there seems to have been no problem about Malaysian participation in global cooperative movements.

While it could be said that the ICA's set of principles does not leave out any of the principles listed in the Malaysian Act or the Manifesto, the reverse is not true.

As has been indicated above, the notion of concern for the community is well accepted via the statement about Vision 2020.

Therefore, although it may not be in the Act, its spirit is well accepted Nationally. In its sixth principle, the Manifesto in the style of the sixties, states that the good of society should take precedence over benefits for members.

However, two principles are significant. The fourth ICA principle on autonomy and independence is poignantly missing from the Malaysian Act. While there may be a strong consensus regarding self-help, the words and the spirit of the law as well as the bureaucratic culture under which the Act is administered, would indicate that autonomy is not exactly a perceived objective at present. The existence of some "top-down" cooperatives and several semi-Governmental organizations would indicate that for various reasons there is an official view that Government or political sponsorship of cooperatives is rather desirable at the present.

Even the Apex organization is required by the Act to have two Government representatives on its board of directors. One is from the Ministry responsible for Cooperative Development and the other is from the Ministry of Finance.

Another example of bureaucratic predominance is the Malaysian Cooperative College. The operating costs of the College are provided for by a two percent levy on the net profits of all cooperatives. It is symptomatic of this perspective that the members of the College Advisory Board are appointed by the Minister without consultation with the movement or they are ex-officio Government officials including the Chairman and Deputy Chairman who are officers in the Ministry.

The above is not written in a dissentient or negative mode. It is merely a factual statement about the state of affairs in the light of the fourth principle in the Manchester Statement.

The seventh principle in the Manifesto (political and religious neutrality) is not to be found either in the ICA Statement or in the Act. This is an anachronism that dates back to the genesis of cooperation in Europe when cooperators wished that their unity and solidarity should not be fragmented by religious and political controversies that were rampant at that time. Today in Malaysia while it would be an exaggeration to say that there are absolutely no frictions between political parties or religious groups, this has never been a problem for cooperative development.

Conclusion

There are two aspects to all principles : the theory and the practice. A large number of Malaysians may know the theoretical concepts in a rather vague way. A few may have a fairly profound knowledge of these principles. Nevertheless, it frequently happens that those who know and who do are not the same people. The practitioners make up for their lack of appreciation of the basic principles by asserting that they are pragmatic professional people who need not become too involved with abstract ideas or principles. These people popularize slogans such as, " All for one and one for all" which leads to fuzzy thinking.

While the early founders of Malaysian cooperative movement had a fairly good understanding of the application of cooperative principles, especially in the areas of savings and the payment of dividends, subsequent generations of members and leaders not only lost the pioneer commitment but they have also unconsciously been influenced by corporate approaches to enterprise. Money is seen to be more important than service and loyalty.

The new ICA Statement presents a wonderful opportunity for all Malaysians, be they cooperators (as leaders or ordinary members); administrators or political leaders, to reflect on the true nature and scope of cooperation. It is opportune for our cooperators not only to inform themselves about the new principles but also to encourage their cooperatives to practise them in so far as this is possible.

It should be realized that enterprises such as cooperatives are subject to influences of inspiration and motivation as much as corporate enterprises which are driven by the profit motive.

Be they in the ICA Statement, or in the Act, or in the Manifesto, the principles are the vital forces that drive the minds of cooperators and their leaders to carry out their activities according to the cooperative way. They are expected to pay more than casual lip service to the values embedded in cooperation. The ICA Statement and the historical context of Malaysian cooperation, represent a new paradigm for cooperation.

**Statistics on New Co-op Principles Courses/Seminars Conducted
for the period of January-December 1996**

Month	Courses		Seminars		Total	
	No. of Prog.	Participant	No. of Prog.	Participant	No. of Prog.	Participant
January	2	142	-	-	2	142
February	-	-	-	-	-	-
March	15	1284	1	175	16	1459
April	25	2048	-	-	25	2048
May	21	2043	-	-	21	2043
June	6	578	-	-	6	578
July	18	1006	1	209	19	1215
August	7	955	-	-	7	955
September	13	1153	-	-	13	1153
October	2	150	-	-	2	150
November	12	1043	-	-	12	1043
December	7	746	-	-	7	746
Total	128	11148	2	384	130	11532

Co-operatives as the Third Force in the New World Order

... (After business and the politics of states) : Experiences in Philippines

Edgar V. Comeros
Executive Director,
Visayas Cooperative Development Center Inc. (VICTO)

The Big Challenge

Globalization is the biggest challenge to co-operatives in the last 50 years. We hear so often that globalization is imperialism under another name, that it will put even greater wealth in the hands of the few at the expense of the many. And that may be true - IF we allow it to happen. That is why we, as co-operators, have a responsibility to respond to this type of development and turn it into something that will benefit all people. The first Prime Minister of India, Jawaharlal Nehru, espoused the view that the world is a global village. Now, more than ever before, we are experiencing that. The world is an interdependent place. What happens in one country - no matter how small - can affect others. Advances in technology link the world instantly; more people travel and get to experience different cultures. I like to think that there is a greater understanding between people today than in my parents' generation. This is all part of the new globalization. And it provides tremendous opportunities for co-operatives.

The Co-operative Response

While VICTO does not necessarily agree with all that globalization is, we accept that it is a reality and one that needs to be addressed. Co-ops can address this. VICTO is a good example of how people from diverse backgrounds, and separated by large distances, can work together to improve their lot. Just over 30 years ago, a small group of committed people in an impoverished province of the Central Philippines formed a credit union. It was only a small step in an isolated place, but its success soon spread. Education was the cornerstone; emphasis was on saving; co-operation among the community was encouraged.

Thirty years later, its legacy is the Visayas Co-operative Development Center (VICTO).

At that time VICTO has been a key player in many major events within the Philippines and beyond. Today, VITCO provides a wide array of services, ranging from its traditional base of training and education to audit, consultancy, community organizing, a seminar house, assisting with publications, computer advice, advocacy as well as business development. Together with our 250 affiliates and an equal number of allied organizations, like NGOs and people's organizations, we have survived many challenges which includes martial law, funding crises, organizational restructuring, staff turnover and now, globalization. Through sheer persistence, determination and commitment, VICTO is one of the most dynamic co-operative organizations in the Philippines. We directly affect 300,000 individual members with total network resources of 3.75 billion pesos. Among the 41,448 registered co-ops in the Philippines, VICTO stands out head and shoulders above the rest. In 1991 it received international recognition when it was the first recipient of the Asian Institute of Management's Development Management Award. It has come a long way from its humble beginnings in the mid 60s.

Shifting Paradigms

In the early 1990s, VICTO drew up a sustainability agenda. It is designed to take VICTO into the next century. The sustainability agenda is comprised of four main points : Social Development, People's Movement, Alternative Economic Enterprise and Internal Affairs. Each of the four points identifies key areas of concern.

Social Development considers co-ops as vehicles for development (pro-co-op advocacy), special development projects, networking, linkaging and solidarity, advocacy including lobbying for legislation, gender equality, youth leadership development. The direction is towards making co-operatives into effective instruments to achieve Total Human Development. *The People's Movement* is concerned with co-op movement building, membership development, co-op visibility and promotion, distinctive competence building, critical collaboration and alliance building. Its purpose is to build a strong co-operative movement, *A Third Sector*. The *Alternative Economic Enterprise* agenda encourages ventures in alternative co-operative enterprise, savings mobilization, building up of reserves, financial viability and profitability, inter-coop trading as well as developmental fund management. Its direction is towards undertaking alternative

economic enterprises to support our development efforts. The fourth component of the Sustainability Agenda is *Internal Affairs*. This is centered on fostering quality staff, decentralization of operations, effective and efficient organizational systems and procedures, cost efficiency as well as management and co-op information systems. It is concerned with instituting efficient and effective organizational systems and procedures.

Over the years, a feeling developed among some of the affiliate leaders that VICTO was the staff. The co-ops had no feeling of ownership. So, as a result of some soul-searching after our silver anniversary in 1995, VICTO decided to change this. Thus, we introduced the *Paradigm Shift*. The Paradigm Shift is about giving the responsibility and decision-making that goes with the running of the Center to the coop affiliates, the stakeholders. To help rally staff and owners, three slogans were adopted: *membership – from stockholders to stakeholders; organizational posturing – from secretariat to movement; management systems – from managing development programs to managing a development process.*

A series of provincial and regional ownership meetings were held last year to encourage greater participation among the affiliate co-ops. The initial response was three-fold: local federations became an active mechanism for the formation of second-liners for VICTO's leadership; it created new avenues for inter-coop partnership; and, it was the catalyst for the opening up of a whole new market for co-op businesses. It was also the venue for the discussion of issues such as GATT, trade liberalization, politics, environment, and development related issues.

Membership Building/Organizational Strengthening (MB/OS)

However, it is all very well talking about the Paradigm Shift, but the question was, 'how do we act on it?' After consultation with various bodies, we developed a framework that would allow the Paradigm Shift to be implemented. Known as Membership Building and Organization Strengthening (MB/OS), it is designed to put organizational systems in place so that VICTO can fully respond to the needs of its affiliates. Its aims are two-fold: to enhance the capability of management and to strengthen solidarity of the co-operative movement. These aims are not merely for the Center's benefit alone. They are geared towards making our affiliates strong, viable and effective instruments for the improvement of their members' quality of life.

PBME

To further meet these aims, VICTO is in the process of implementing the improved Planning, Budgeting, Monitoring and Evaluation (PBME) system. PBME consists of a series of procedures, policies and supporting technology components. Each of these are inter-related and will ultimately lead to a more efficient VICTO. PBME will help us to re-define our organizational structure.

This includes job descriptions and improved methods of reporting between VICTO offices and co-operative affiliates. Above all, this will mainstream the ownership structure.

The Philippines as the new Tiger

The upturn in the Philippines' economy provides tremendous opportunities for co-ops in today's economic environment. Last year, trade with other countries increased by 24.2%. Exports jumped by 30.7% while imports rose by 20.4%. Consequently, it is now more important than ever for co-ops not only to Co-operate with each other but with government and private institutions as well. VICTO is currently sitting in several government development bodies, including the Regional Development Council, Cebu Provincial Council and coop development councils. The Philippine government supports co-operative by enshrining it in the Constitution. Government now wants co-operatives represented on official bodies at the local and national level. We view this as something positive. It gives co-ops opportunities for active participation at the government level. Theoretically, we are part of the decision making process; unfortunately, there is also a negative side to this. As co-operatives represent hundreds of millions of people, there is a danger that they could be used by the government as a tool to promote state power and distract regular and genuine participation. It often appears that the views of co-ops are only paid lip-service. We sometimes find ourselves asking: "How much of what we say is actually taken up by the government?" Just recently, a Presidential candidate in next year's elections visited Cebu. He was pictured on the front page of a national newspaper with "local co-operative leaders". VICTO is the biggest co-operative institution in the Central Philippines, we were not invited nor did we know of this meeting. Who were these "co-operative" leaders? The large membership of co-operatives is often an alluring temptation to politicians and business leaders. It is advantageous for co-ops to work with government – but not to be used by it.

Vigilance is the key

The onset of globalization presents challenges for co-ops in today's environment. Free trade means that cheap imports from overseas are flooding into the country; traditional means of livelihood, such as farming, are under serious threat; trade monopolies are emerging, which will make it more difficult for small producers to sell their goods. But *co-ops are the alternative*. Markets can be established through cooperative federations. With proper coordination, this can be extended to co-operative networks throughout the country, and even internationally. There is a whole new group of producers, consumers and service-oriented initiatives just waiting to be tapped. This means, though, that co-op goods and services must be improved, and competence enhanced. Of course, it is not sufficient just to make links with other co-operatives and like-minded organizations. There is only so far that loyalty will go. We must improve the quality of our goods and services. We are now forced to operate in a competitive market place. If we are not strong and good at what we do, the market will not allow us to compete for long. Should we decide to be players in globalization, we must be prepared to be competitive and relate with our co-operative partners beyond your borders and on a wider arena. If we are not competitive, chances are the benefits will go to traditional businesses.

At the same time, we must consider our strengths and weaknesses. If we go global, are we professional enough to be competitive? And in becoming professional, are we being robbed of our co-operative soul?

Thus, there is a need to properly contextualize the motto: "Not for Profit, Not for Charity, But for Service". It should be understood that "The co-op is not for Profit for profit's sake, but we have to make Profit to continue giving Service".

Co-ops in the 21st century

VICTO recognizes that today's world is much different from when it first began almost three decades ago - and tomorrow's world will be just as different from today's. It is for that reason that VICTO is making organizational changes. By working with each other, co-operatives will not only provide a market for themselves, but, because of their very nature, they will provide an ethical face for business; they can play the important role of being the *conscience of globalization*. Our long co-operative tradition of equity, democracy, fairness and concern for others, stand us in good stead to lead the

way in improving the lot of all peoples. We are often told that globalization will only bring wrack and ruin, that more wealth will be concentrated in the hands of the few to the detriment of the many. It need not be like that. But co-operatives must lead the way. VICTO believes that it must adapt to meet the ever-changing need of its affiliates if it – and they – were to survive into the next millennium. Change is not always easy but sometimes it is necessary. Together we will take the co-operative movement into the 21st century.

The difference between co-operative and non-co-operative forms of enterprise can easily be seen. To establish a non-cooperative form of enterprise, material resources must first be found; and capital mobilized. But to form a co-operative, people must first come together; and human values mobilized and activated; and an association formed.

Comparison of Principles
CO-OPERATIVES VS. GLOBALIZATION

<i>Co-operatives</i>	<i>Globalization Proponents</i>
Voluntary/Open Membership	Blackmail and Forced Membership
Democratic, Members' Control	Control by QUAD; Unelected
Members Economic Participation	Absolute Advantage
Autonomy & Independence (Subsidiarity)	Monopoly
Education, Training, Information, and Cooperation	Culture of Competition and Selfishness
Cooperation Among Cooperatives (Empowerment)	"Cooperation" for Control and Domination
Concern for Community and its Sustainable Development	Expediency of People, Community and Country

Value Comparisons
CO-OPERATIVES VS. GLOBALIZATION

<i>Co-operatives</i>	<i>Globalization Proponents</i>
Self-help	Self-interest (invisible hand)
Self-responsibility	Self-indulgence (maximize personal reward and gratification)
Democracy	Elite Democracy, Rule of the Most Competitive
Equality	Fiction of Level Playing Field
Solidarity	Opportunistic
Honesty	Deceit (legal acrobatics)
Openness	Secretiveness, Non-transparent
Social Responsibility & Caring for Others	Law of the Jungle; Survival of the Fittest

“ICA Co-operative Identity Statement and the Co-operative Identity Crisis : Experiences in Singapore”

Kelvin Quah
Co-operative Development Officer, SNCF

Introduction

Singapore is a multi-racial and multi-religious nation with a mere area of 647 sq km. Being a small island, it has a population of 3 million people with its people living in harmony despite the different ethnic groups and religions. The official languages are Malay, Chinese (Mandarin), Tamil and English. Singapore is an international centre for communication, commerce and finance with a well-developed infrastructure and an orderly society. Since its independence in 1965, the Republic has enjoyed political and economic stability with unemployment rate kept below 3 per cent.

Co-operative Movement in Singapore

The Co-operative Movement in Singapore began in 1925 with the objective of upgrading the social and economic well-being of their members. The co-operatives which were initially formed were thrift and loan societies established to meet the financial needs of members who would otherwise turn to loan sharks who charged exorbitant rate of interests. In November 1969, the trade union movement launched the “The Modernisation of the Labour Movement” and our then Minister of Defence, Dr Goh Keng Swee mooted the idea of establishing a co-operative commonwealth for the workers in Singapore. As a result, we saw in the seventies, the emergence of an increased number of broad-based NTUC-sponsored co-operatives, which apart from serving their own union members, also catered for the general public. Over the last 32 years, co-operatives have played a significant role in serving the needs of their members. These co-operatives are formed with the mission to moderate the cost of living thus upgrading the social and economic status of the community at large. Today, these co-operatives serve their members in many fields, including insurance, thrift and loans, retail supermarket, healthcare, denticare, childcare, elderly care, destitute home, housing, broad-

casting and campus services. A large number of these co-operatives have earned their recognition as household names as a result of their competent and cost effective services provided to their members.

As at 31 December 1996, we have 64 co-operatives affiliated to the Federation with a total individual membership of over 950,000 and a total asset base of USD 2.29 billion (SGD 3.2 billion). Notwithstanding the growth of our co-operatives which is measured in terms of membership and business, the Co-operative Identity and Principles have always remained the cornerstone of the Co-operative Movement. It is this Co-operative Identity and Principles that distinguish co-operatives from capital-based enterprises.

In this context, there is no Co-operative Identity crisis as far as the Co-operative Movement in Singapore is concerned. However, we do understand that some concerns have been raised by some of our ICA members at ICA ROAP meetings regarding the corporatisation of one of our progressive co-operatives, NTUC Comfort, now better known as Comfort Transportation Pte Ltd.

Corporatisation of NTUC Comfort

NTUC Comfort was established on 21 October 1970, at a time when public transport was inadequate and unsatisfactory. There were then about 14,000 licenced taxi drivers competing for the use of a fleet of only 3,000 taxis which were in the hands of a small number of fleet owners. In order to earn a living, many of these taxi drivers were therefore forced to ply the roads in unlicensed vehicles ("pirate taxis"), using old and unsafe private cars which were a risk to both passenger and driver. These vehicles, in addition were not adequately insured.

In the seventies, traffic conditions were deplorable, pirate taxis were rampant and bus companies were going bankrupt. Before the roads became chaotic and public transport broke down completely, to clean up the pirate taxis and improve the bus and taxi services, NTUC together with its workers decided to co-operate in a transport co-operative and NTUC Comfort was launched to give the taxi drivers – many of them were formerly running pirate taxis and others being exploited by taxi owners – a chance to own taxis and the mini-buses. The two main objectives for its formation were thus:

- a) to provide an efficient and reliable transport service to the public; and
- b) to improve the well-being of its members.

In its initial operation, COMFORT purchased 1,000 taxis and 200 mini buses with loans from the Government at commercial rates. These taxis and minibuses were issued to members through the vehicle ownership scheme with the aim of providing a more equitable operational system for taxi drivers and enabling them to own their own vehicles ultimately. Members of the Co-operative were chosen by ballot from a large list of eligible applicants and strict membership criteria were laid down. A taxi operator who is successful in the balloting is given a new taxi to drive on payment of USD 1,071 (S\$1,500) as "down payment" and USD 357 (S\$500) as share capital; by paying weekly instalments over a fixed period of about four years he will eventually own the taxi. Out of the weekly instalment received from each co-operator, the co-operative paid the road tax, insurance premia, and made a contribution on behalf of the members to the Central Provident Fund, which ensures a cash sum on retirement at the age of 55, and entitles the member to a flat in the Housing Development Board Scheme.

In response to this scheme, a group of 1,200 men formerly an exploited propertyless class had become small entrepreneurs, and the great majority are making a very comfortable living.

The scheme is expanding and more taxis and minibuses are added to their fleet which are financed largely out of profits which come from repair services, concessionary rates on diesel fuel, and bulk purchase of tyres and batteries. Strict discipline is maintained by a Court of Discipline on which the drivers themselves sit and the management has power to repossess vehicles of members who default in their repayments - an essential requirement to ensure the financial viability of the Co-operative.

However, corporatisation took effect on 18 June 1993, to enable the organisation to do more for the members through shedding its Co-operative status due to the inherent limitation on their business. The limitations are:

- a) although the Co-operative Societies Act is silent on co-operatives operating business overseas, the Registry of Co-operative Societies would prefer co-operatives to confine their business locally to serve the benefits of their members. Today, the Comfort Group has diversified its business from taxi and minibus operation to automotive engineering repair, car distribution and vehicle inspection service. It has also extended its business regionally, in the People's Republic of China, namely in Suzhou and Xiamen

and also in Myanmar. In fact, the Comfort Group was listed on the main board of the Stock Exchange of Singapore in 1994.

- b) In order to curb the problem of rising road congestion, the government introduced the Certificate of Entitlement (COE) Scheme in May 1990 to restrict car ownership and taxi is no exception. Since the implementation of the scheme and as a result of the quota imposed on the number of cars allowed on the road, COE prices have been escalating from an average USD 2,100 (S\$3,000) in 1990 to the present average price of USD 33,000 (S\$46,000). As a result of continuing escalation in COE prices, the members of COMFORT felt that it would be inequitable for existing members to contribute to the current higher COE prices required by new members to acquire new taxis.

In view of the above limitations imposed on COMFORT, the Co-operative Status was shed in 1993 so that taxi owners absorb the COE prices to retain taxi ownership.

Conclusion

In general, we do not face the Co-operative Identity Crisis in our Co-operative Movement. In fact, most if not all our co-operatives have built on strong foundation based on values of self-help, self-responsibility, democracy, equality, equity and solidarity. Unlike many other countries, our society is a highly urbanised one but in spite of this, our co-operatives are progressing well both in the social and economic fronts.

To ensure adequate financial and management expertise in the running of some of our bigger co-operatives, we have Board of trustees comprising of eminent members of the community with established reputations for integrity - including Members of Parliament and senior civil servants to deliberate on policy matters and outstanding and able General Managers with wide experience in the respective fields are appointed to oversee the day-to-day operation of the business.

While our co-operatives compete with other capital-based enterprises and multinationals in today's competitive business environment, they are mindful of their mission in meeting the needs of their members and the wider community of Singapore as democratic enterprises which are built on sound, modern business and co-operative principles.

Relevance of the ICA Cooperative Identity Statement : Experiences in Vietnam

Nguyen Dac Thang
Vice General Director, NEDCEN

Awareness of Cooperatives

The radical reform in the Vietnamese Government advocate to develop a multi-sectoral commodity economy and to promote cooperative sector has created a great environment for cooperative sector to show its potential and contribute to the country's economic development.

The renovation of roles and nature of cooperative economic and cooperatives should be in accordance with households, individual and other economic components' freedom of doing business that has been guaranteed by law. Cooperative is an economic organization in which labourers work in collaboration with one another to achieve their economic development aims. The role of cooperatives have been changed from the centrally command administration of all business activities to the organization of various promotion and service activities tailored to its members' requirements.

The development of cooperation economic and Cooperatives can help to overcome the short-comings of the market economic (such as small and separate enterprises are competed and squeezed by bigger ones), to alleviate poverty, to develop the collective's members strength in contribution to the implementation of the country's industrialization and modernization cause. It is known that Cooperative is an economic organization but it is different from other economic organizations (such as limited or joint stock companies) in terms of objectives, nature and social functions. However, Cooperatives don't directly perform these functions but carrying out effective assistant activities for members, improving their socio-economic positions and educating their consciousness of cooperation, democracy, equality and mutual benefit through the implementation of Cooperatives' regulations and the development of Cooperatives' economic.

Issues concerning asset possession of Cooperatives : Forms of possessions in Cooperatives are variety, flexible and compatible with

the characteristics and requirements of the multi-sectoral commodity economy under the market mechanism. The assets possessed by Cooperatives are accumulated capital for reinvestment and for its business activities. Individuals ownership are respected, members can use the capital and producing facilities belonging to them to do business. Cooperatives are to pay leasing fee for using its members' assets.

The organization and operation of cooperatives are based on these cooperative basic principles (Voluntary; Democracy; Equality; Independence and Autonomy; Training and Information; Community.)

The practical implementation

The law on Cooperatives of Vietnam, which has been effective since 1 January, 1997, is applied for Cooperatives in every sectors of the economy. Cooperatives are basically the same in terms of nature, role, operation methods and principles but their specific features do vary field to field. Hence, the law on Cooperatives only create the common legal framework applied to Cooperatives in general, the more specific regulations for each sector are stipulated in sub-law documents concerning :

- * The model regulation for Cooperatives.
- * The Government's control over cooperatives.
- * The transition of Cooperative nature and business registration.

This law was approved by Vietnam National Assembly on 20 March, 1996. Vietnam Cooperative Union has concentrated on the propaganda, education and popularization of this law via its network of representatives in 61 cities and provinces in collaboration with relevant organizations.

The training centre for management of cooperatives (NEDCEN-TCM) plays an active role in organizing courses for the propaganda and popularization of the Law on Cooperatives, model regulation for Cooperatives and Governmental decrees concerning Cooperatives as well as the presentation on the development of global and regional Cooperative movements.

Steps of the implementation: Training courses are organized according to the 3 following steps:

- * Step 1: Training courses are held at national level. Participants are senior officials of Vietnam Cooperative Union and of relevant

organizations of the North, the Central and the South of Vietnam.

- * Step 2: Training courses are held at provincial and municipal level. Participants are officials of Vietnam Cooperative Union in provincial and municipal representatives.
- * Step 3: Training courses are held at grassroot level. Participants are Cooperative members.

To sum up on the whole, after one year of propaganda in many ways, Vietnam Cooperative Union has successfully popularized the Law on Cooperatives as well as relevant Government Decrees and Circulars among Cooperatives. This makes Cooperative members understand thoroughly Cooperative principles, so that they can define its nature and objectives and make decisions regarding the entrance of this organization themselves. This also help members to work together more effectively for creating jobs, generating incomes and contributing to the economic development of Vietnam.

Upto July 30, 1997, there have been 10441 Cooperatives of which contents are transfered in accordance with law. Among them, there are 7523 cooperatives in agricultural sector, 932 in handicraft, 440 in transport, 310 in trade and service, 223 in construction, 884 in credit, 26 in salt processing and 112 in sea products. These Cooperatives' contents are compatible with basic principles of International Union of Cooperatives as well as Vietnam Law on Cooperatives and rules of the market economy.

Proposals

Vietnam has been carrying out Doi Moi (Economic Reform) for 10 years and there have been gladdening achievements. However, our experience in developing a market-oriented multi-sectoral economy remains poor. Especially, there are many problems we have to deal with if we are to develop our Cooperatives. These problems take time, our effort, the assistance and cooperation of global and Pacific Asia Cooperative Movements to solve.

We have defined the key factor in developing Vietnam Cooperative Movement is the improvement of Cooperatives officials' and members' role. To achieve it, it is of vital necessity and importance that their educational level and skills are enhanced. So, we would be very grateful if the International Union of Cooperatives, especially Pacific Asia Union of Cooperatives could give us assistance in the following fields:

1. Organizing training courses for Cooperatives officials and members on knowledge of Cooperatives.
2. Introducing materials and human resource training procedures for Cooperatives to training courses of Vietnam Cooperatives.
3. Sending experienced managers and professionals to Vietnam for giving lectures in training courses.
4. Granting financial supports for officials and members of Vietnam Cooperative Union to go to countries with developed Cooperative training systems for studying and adopting experiences.

Finally, I would like to wish health and good luck to all participants here, success to our Conference and the development to Cooperative movements in the world as well as in Pacific Asia.

**SPEECHES AND
PRESIDENTIAL ADDRESS**

Speech of Mr. Durga Singh

Chairman,
Rajasthan State Cooperative Land Development Bank,
Jaipur

Respected Shri Mehta Sahib, Chief Secretary, Govt. of Rajasthan, Honourable Shri Vishwanathanji, President, National Co-operative Union of India, Respected Mr. Robby Tulus, Regional Director, ICA, Respected Shri B.D. Sharmaji, Chief Executive, NCUI, esteemed overseas fellow Co-operators, Respected officers from Government of Rajasthan and friends.

It is my proud privilege to take the floor to welcome you all in the historic Pink City of India.

I am personally thankful to ICA for having chosen Jaipur as the venue for this historic and important workshop on the validity of co-operative Principles in today's changing world. Rajasthan, as you all know, is the land of rich cultural heritage and colourful folk base. The History of Co-operative movement of the state is as old as of the country. There have been significant achievements in a few sector of the Co-operative Movement in Rajasthan. The Important sectors are Agriculture, Credit and Consumers. The people of Rajasthan are fortunate enough to have committed officers like Shri M.L. Mehta, who have contributed a great deal in the development of Co-operative sector in the State. I once again on behalf of the long term credit coop movement of the state extend a hearty welcome to our popular cooperative leader of India Shri Vishwanathan Sahib and other fraternal delegates from world over.

I believe the deliberations of the workshop will give a new direction to global co-operative movement and will bring about better understanding among us. I personally feel the co-operative principles on the autonomy and freedom to co-operatives, need of co-operative education and training will be intensely deliberated, keeping in mind the constraints and limitation of countries like India.

I wish the workshop a grand success and look forward to getting enriched.

Thank you and *Jai Hind*.

Speech of Mr. B.S. Vishwanathan

**President, NCUI and
Chairman, ICA Regional Council**

Dear Cooperators,

It is my proud privilege to extend a very warm welcome to all of you on behalf of National Cooperative Union of India, the apex body of Indian Cooperative Movement. I also extend welcome on behalf of ICA Regional Council of which I am the Chairman.

I am particularly grateful to Mr. M.L. Mehta, Chief Secretary, Sodhani who could make it convenient to be with us.

I must also appreciate the initiative taken by Dr. Robby Tulus, Regional Director of ICA for Asia and the Pacific Region to convene this Special Workshop which is very important in the context of the changes that are taking place throughout the world, particularly in Asia and the Pacific Region, due to implementation of the policies relating to liberalisation and market reforms.

In India cooperation has been recognised as an instrument of economic development during the post independence period. In line with this policy, the Govt. became an active player in the development of cooperatives in various segments of our economy. Although it had positive impact particularly in regard to diversification and expansion of cooperatives, yet in the process this also led to onslaught on identity of cooperatives through restrictive cooperative laws; bureaucratisation; politicalisation and making cooperative dependent on the Govt. support. The elements of democracy; equality; equity; self-reliance and self-regulation were relegated to the background. In 1991 we introduced the policy of economic liberalisation through the withdrawal of state regulation and state control of business activities. While private sector has been the largest beneficiary of the economic liberalisation, cooperatives still continue to be over regulated and over administered institutions. Although, Govt. as a policy, has expressed its commitment for democratisation and liberalisation of cooperative movement through legal reforms, the process of cooperative reforms has been very slow.

Another ramification of market oriented economy for cooperatives has been that while on the one hand there is every possibility of decline and withdrawal of state support to cooperatives, the cooperatives are exposed to competitive market economy. This may force

based democratic and self-reliant organisations. I hope this workshop, would touch upon all these issues.

With these words I extend a very cordial and warm welcome to all of you in this beautiful city of Jaipur.

cooperatives to initiate or to follow the same policies and approaches as followed by private sector. This may lead to the alienation between cooperative and their membership.

Following the adoption of cooperative identity statement by ICA Coop. Congress in Manchester in 1995, the National Cooperative Union of India took a number of steps for its implementation. It circulated the statement extensively within the cooperative movement to initiate debate and discussions thereon. In Indian cooperative congress, the top body of cooperative movement convened by NCUI in January, 1997, a comprehensive action programme at macro level was adopted. This action programme which will be circulated in this workshop on behalf of Indian cooperative movement is being followed up assiduously for its implementation. Now, we have decided to constitute sectoral groups to formulate the action programme for different segments of cooperative movement.

We hope that the guide points that emerge in this workshop would be of immense value for Indian cooperatives.

The title of this workshop is the ICA cooperative identity statement : from theory to practice. This workshop obviously would aim at formulation of practical guide points for the cooperatives within the region. Notwithstanding the significance such guide points, I am of the view that the gains of this workshop can be capitalised best only if the National cooperative movements respond positively. It is the elected board members and the members of cooperatives who owe the basic responsibility to put cooperative identity statement into practices. Therefore, it is necessary to create a conducive environment within the policy apparatus of the Government as well as cooperative institutions to give concrete shape to the identity statement in the day-today operations.

Since in most of the countries of the region cooperation has been a Government sponsored and controlled economic system. It becomes incumbent on the part of the Government to redesign their national cooperative policies that will facilitate cooperatives to articulate effectively the cooperative values and the principles which constitute the vital elements of cooperative identity. In this context, I would like to emphasise the importance of HRD training and education activities within the cooperatives and for the cooperatives. The promotional organisations like cooperative unions should formulate training and education modules on cooperative identity so that the cooperative members, their elected leaders and the managers have clear perception about the cooperatives and their role as member

Presidential Address

**by Mr. O.P. Sodhani
Banking Ombudsman, North India**

I. Introductory

I feel honoured to be invited to preside over the inaugural session of the Special Workshop on the "ICA Cooperative Identity Statement (ICiS) - from Theory to Practice". Thank you, Mr. Robby Tulus, for this opportunity. Let me congratulate the ICA Regional Office for Asia and the Pacific for holding this Special Workshop in India in August 1997 when we are celebrating India's 50th Anniversary of Independence. It is also very thoughtful of ROAP to have chosen Jaipur, the pink city as its venue for the workshop. Let me extend warm welcome to India and Jaipur to the delegates comprising of experienced cooperators from Asia Pacific Region and academicians who will be deliberating as the ICA Cooperative Identity Statement during the next few days.

In my brief address I shall be touching upon the Indian Economic Environment after launching of the new Economic Policy and the mention about the Cooperative Institutions and the Financial Sector Reform in India to provide you some perspective for your deliberations on the theme of the special workshop with India in focus.

Until 1991 the Indian economy was relatively isolated from the international economy as it was tightly regulated and more particularly the existence of a strong trade and exchange control regime insulated Indian industry from the forces of competition in the international economy. The thrust, then was on regulated industrial development, import substitution, detailed control of foreign trade, canalisation of certain essential items mainly through public sector units and restrictive approach towards foreign investment.

July 1991 constituted a watershed in India's economic history as it signalled the start of significant policy changes as part of the process of economic reforms. The reforms implemented in the past six years comprised of stabilisation policies aimed at correcting serious fiscal and balance of payments disequilibrium and structural reform measures aimed at improving the growth prospects of the economy. These reform have covered a wide gamut including indus-

trial deregulation, trade liberalization, exchange rate policy, foreign investment policy, financial sector policy, capital market reforms etc. The underlying thrust of the new economic policy has been to improve the productivity and efficiency of the system by instilling a greater element of competitiveness and moving towards globalization of the Indian economy.

Macro-economic overview indicates that there has been a marked and favourable turn around in the performance of the economy in general with 7% growth in the GDP in the last 2 years and in the external sector in particular with sustainable current account deficit and increase in the foreign currency reserves from a low level of less than US\$ 1 billion at the time of crisis in 1991 to US\$ 30 billion today.

The real dividend of the change is the change in the mindset of the new generation in India. The new generation has self confidence that comes from knowing that this elephant of an economy has a better future than many tigers of yesterday. For, if one takes the past decade as a whole, India ranks among the dozen fastest growing economies in the world.

II. Cooperative Institutions - Financial Sector Reforms

A major element of the structural adjustment programme through which the Indian economy is presently undergoing relates to the reform of the financial sector. Resultantly, the institutional credit delivery system is also witnessing a transformation. The cooperative credit institutions have a strong presence in rural financial market in India and are an important part of the structural adjustment programme.

The century old cooperative credit movement in India is one of the oldest and the largest in the world. Its strength is reflected in the wide network of outlets - over 104 thousand for dispensing credit - predominantly to the households for agriculture and other rural development activities. The village level institutions have not only been dispensing credit but also acting as "one stop shop" for supplying critical farm inputs and distributing essential commodities to the rural masses at reasonable prices. However, the cooperative credit institutions continue to suffer from several weaknesses. Problems like high intermediation cost, high level of overdues and poor financial health plague the cooperative credit institutions. In India we have grown in an environment in which we have somehow accepted the dictum "Cooperation has failed but cooperatives must

succeed". The merits of cooperative system are clear to see. We have to create an environment in which cooperatives can function efficiently. This should not be difficult to achieve if we put in practice the ICA cooperative identity statement. Let us elaborate a little as these are the areas of future reform.

Democratisation of Management

The cooperative institutions must be run on democratic lines so that they truly function as people's institutions. It is important to activate steps so as to restore the democratic process and to enable the cooperatives to function efficiently. Cooperatives have to increase their self-reliance, so that the potential for intervention by the government on the grounds that they have contributed resources, does not any longer remain an argument of any significance.

De-Bureaucratisation of Management

Another important reform measure which again is in conformity with the ICA Cooperative Identity Statement relates to de-bureaucratisation of management. Cooperatives should be encouraged to be run by professional managers instead of posting of officials on deputation from various Government departments.

Human Resource Development

This is one of the weakest areas that needs a conscious and comprehensive treatment to meet the challenges thrown up by the financial sector reforms. Activity specific training modules have to be evolved to enhance the capability of the professionals employed.

Management Information System

An efficient MIS along with computerisation will go a long way in positively influencing the decision making in the different operational areas of the cooperative institutions.

Cleansing the Balance Sheet

In order to strengthen the financial health and cleanse the balance sheets of the cooperative institutions, the accumulated losses, imbalances, bad debts etc. have to be adequately covered. A suitable mechanism for sourcing the funds for this purpose needs to be evolved urgently. The practice of principle of cooperation among cooperatives should go a long way in achieving this including

attracting foreign investment from the cooperative sector to establish strong cooperative solidarity.

Strengthening of Institutions

Strengthening the resource mobilisation, recovery and business development efforts and making viable their service functions areas the crucial area that need to be addressed by all the agencies concerned.

Leadership in Cooperatives

Effective leadership is the key to the success of any people's movement and the cooperatives are no exception to this.

III. Concluding Observations

Before I conclude I shall like to make two more observations :

First, over the last few years a number of international organisations have made explicit their commitment to reduce global poverty. While recognising that increased economic growth will contribute to poverty reduction, they are aware that it cannot eliminate poverty without programmes of direct action targetted at the poor themselves. There is also a growing recognition that for such programmes to succeed, the formal sector organisations need the active support of non-governmental and community based organisations already working at the grassroot level. The increasing use of Self-Help Groups (SHG) and NGOs reflects the belief that such organisations have a comparative advantage over traditional government agencies in those situations, where to achieve a sustainable impact, the enthusiastic participation of the poor is required. If we are keen to put in practice the ICA Cooperative Identity Statement and follow the principle of concern for community, we do not need only cooperation among cooperatives but also cooperation of the cooperatives with the Self-Help Groups and the NGOs, etc.

Now the second and the final concluding observation. As the deliberations in this special workshop being held in Jaipur have to focus on the ICA Cooperative Identity Statement from theory to practice, may I suggest that the ICA Regional office for Asia and Pacific may consider identifying a few areas of cooperative ventures which have developed well in some of the countries but not so well in India e.g. tourism, environment protection etc. I am suggesting tourism because you are holding this workshop in Rajasthan which

offers vast potential for tourism which has so far been exploited to a limited extent only. There are various facets of tourism including developing new sites which can be taken up on cooperatives basis with cooperation of international cooperative agencies involved in such activities. I need not elaborate on this. I had spoken to Mr. Robby Tulus when I met him last in Jaipur on this aspect. I had mentioned to him about development of Sambhar Lake a small township about 80 kms. only from the Jaipur as a tourist resort and for environmental protection. Sambhar Lake is the country's largest inland saline wetland which has been identified by World Wide Fund for nature as one of the six wetland sites in India designated as wetlands of International importance under the Ramsar convention. Besides being a place of historical importance, Sambhar Lake receives every winter tens of thousands of winged visitors - flamingos and other water fowl, some migrating from as far north as Siberia. Sambhar Lake is symbolic of the striking contrasts amidst habitat diversity, characteristic of India. Can steps be taken through cooperatives of interested countries to gain better insight into the functioning of this unique ecosystem and conserve it for posterity. Such a project if executed will be living example of concern for community and cooperation among cooperatives as also with various agencies.

Let me now conclude. I wish you all very fruitful deliberation in the Special Workshop and very enjoyable stay in India for delegates from abroad.

Speech of Mr. Robby Tulus

ICA Regional Director

On behalf of the ICA ROAP I wish to offer our heartiest welcome to all of you and extend our sincere thanks to all of you who took great efforts to come to our Special Workshop. *(I wish to especially welcome Dr. Peter Davis, whose whereabouts we were not sure of until 10 p.m. last night. Thank goodness, due to his perseverance and endurance, Dr. Davis managed to get his four day visa after having been confined for no less than 40 hours both in the plane and the immigration booth in New Delhi).*

Allow me at this point to just share a few words about the significance of this special workshop in Jaipur. This Workshop, in no uncertain terms, is an effective way to analyse the extent to which the ICIS are being practised by its members in the Asia Pacific region.

The implementation of this Workshop is considered timely as we are approaching the second year since the "ICA *Co-operative Identity Statement*", consisting of the Definition, the Values, and the Co-operative Principles was adopted in Manchester in September 1995.

There are basically three major changes in the 1995 version of the Co-operative Principles compared to the 1966 document. Two new principles have been added, and two previous principles have been combined to one.

Historically, co-operatives have fulfilled the socio-economic needs of communities, and have enjoyed success in many countries. Co-operatives are formed by many low-income communities in this region to promote their well-being and to become self-reliant. By their very presence, co-operatives become a countervailing force to mitigate the negative effects arising from excessive consumerism triggered by the globalized economy. By and large, community-initiated co-operatives have been successful in serving the needs of members by providing services such as credit, production, marketing, processing, farm supply and, most important of all, in mobilizing savings.

But business expansion in the current market economy has intensified competition with private sector companies, pushing co-operative management to focus more narrowly on competition. This

bias towards economic activities tends to reduce the differences between co-operatives and private corporations and, hence dilute the character of co-operatives as a community-based or worker-based entity. Yet co-operatives must continue to promote solid business activities also with a management that is no less good than the private sector, hence cooperatives must evolve a management that is based on the values and principles inherent in the ICIS.

Co-ops should not emulate processes that are more attuned to the practices of private sector businesses and cultivate human resources that runs counter to the co-operative culture. This ignores the co-operative identity, thus causing an identity crises. This is also the reason why many large co-operatives are easily charmed by profit motivation and seek their survival by privatising their co-op enterprise instead of taking advantage of their values, principles and their community-based strength. The switch from past ideological passion to the new economic fervour is happening at too rapid a pace that "concern for community" is waning.

This Workshop is therefore most timely to judge the true co-operative identity against the practices currently in force. Co-operatives have a comparative advantage in this new challenging era because as owners, users, and entrepreneurs, they have been "woven around their members". Where co-operatives are community-initiated, they practice participatory democracy. This is in sharp contrast to many "top down" co-operatives which have little member involvement and are usually made dependent on external sources. Where co-operatives have invested in human resource development by their own initiatives, they usually create the necessary skills and understanding to build their own community micro enterprises among groups of local entrepreneurs. The wisdom accumulated over the years by members who are users and also resource centres is undeniably the paragon of economic democracy.

We are confident that with so many great minds thinking together in this Special Workshop, the end-result will introduce ways to sustain our co-operative identity without losing our competitive strength. A special and warm welcome once again from ICA ROAP.

Thank you.

Programme

16th August, 1997	Late arrivals in Delhi (between 18:00 - 24:00)
17th August, 1997	Early morning arrivals (between 24:00 - 06:00)
07:00 - 13:00	Proceed by bus to Jaipur, Rajasthan. (Mansingh Hotel)
	Lunch, followed by rest or sight-seeing tour of Jaipur.
18:00 - 19:00	Registration
19:00 - 21:00	Welcome dinner and cultural evening hosted by ICA ROAP
18th August, 1997	
09:00 - 10:30	Opening Ceremony Inaugural session, followed by Tea Break
10:30 - 11:00	Introduction of Workshop : Con-textual Framework and Terms of Reference – Dr. Robby Tulus
11:00 - 12:00	<i>Understanding the ICA Co-operative Identity Statement (ICIS) : Context, Interpretation, Issues</i> – Prof. Dr. Ian MacPherson Moderator : Edgar Comeros
12:00 - 12:45	<i>Relevance of ICIS for Cooperative Development in the Changing socio-economic Environment</i> – Prof. Dr. Peter Davis. Moderator : Bjorn Genberg
13:00 - 14:00	Lunch break
14:00 - 16:00	“Ease and/or impediments of ICIS’ application”

Country Showcases :

Korea (NACF)
Indonesia (DEKOPIN/CUCO-
Indonesia)

Moderator : Upali Herath

16:00 - 16:15

Tea break

16:15 - 17:30

Country Showcases :

Philippines (VICTO)
Australia (NSW Coops)

Moderator : Guo Yong Kang

19:30

Dinner reception hosted by the Na-
tional Co-operative Union of India
(NCUI)

19th August, 1997

08:30 - 10:30

Country Showcases :

Singapore (SNCF)
Vietnam (VCU)
Malaysia (ANGKASA & CUM)
Uzbekistan

Moderator : B.D. Sharma

10:30 - 11:30

Tea break

11:00 -13:00

Country showcases :

Japan (JCCU)
India (IFFCO)

Moderator : Yukiko Yamamoto

13:00 - 14:00

Lunch break

14:00 - 15:00

Response from a National Perspec-
tive (NCUI)

Response from a Global Perspective
(ICA)

Moderator : Robby Tulus

15:30 - 18:00

Breakout session : *Lessons learned*
- experience based

Anchor : Edgar Comeros

Dinner hosted by IFFCO

20th August, 1997

09:00 - 11:00

Breakout session : *Identity and define strategic ways by which ICIS can be practiced in today's changing socio-economic environment.*

Coordinator : Upali Herath
Guo Yong Kang

11:00 - 11:30

Nutrition break

11:30 - 12:30

Plenary Session

Coordinator : Guo Yong Kang
Jan-Eirik Imbsen

12:30 - 14:00

Lunch break

14:00 - 15:30

Breakout Session

Define/draft initial Guidelines that could be recommended to the ICA Regional Assembly in Seoul, Korea, 1998

Coordinator : Upali Herath
Edgar Comeros

15:30 - 16:00

Nutrition break

16:00 - 18:00

Plenary session

Adoption of Recommendations of Draft Guidelines for submission to the ICA Regional Assembly

Coordinator : Jan-Eirik Imbsen
Robby Tulus

Dinner hosted by the State Coop. Bank Federation of Rajasthan

21st August, 1997

09:00 - 16:00

Field Trip (organized by IFFCO)

19:30 - 22:00

Dinner hosted by ICA ROAP

22nd August, 1997

Farewell Luncheon

Departure to Delhi by Bus

Evening

Flight departures from Delhi.

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International Cooperative Alliance

Statement on the Cooperative Identity

DEFINITION

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

VALUES

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

PRINCIPLES

The cooperative principles are guidelines by which cooperatives put their values into practice.

1st Principle : Voluntary and Open Membership

Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2nd Principle : Democratic Member Control

Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner.

3rd Principle : Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4th Principle : Autonomy and Independence

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5th Principle : Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.

6th Principle : Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7th Principle : Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

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