

**THIRD
CRITICAL STUDY
ON
CO-OPERATIVE LEGISLATION
AND
POLICY REFORMS**

P.V. PRABHU



**INTERNATIONAL CO-OPERATIVE ALLIANCE
REGIONAL OFFICE FOR ASIA & THE PACIFIC
NEW DELHI, (INDIA)**

**THIRD
CRITICAL STUDY
ON
CO-OPERATIVE LEGISLATION
AND
POLICY REFORMS**

By

P.V. PRABHU

Supported by :

- (i) **Ministry of Social Affairs and Labour
Govt. of Kuwait.**
- (ii) **Union of Consumer Cooperative
Societies of Kuwait.**

334:340
ICAT



INTERNATIONAL CO-OPERATIVE ALLIANCE (ICA)

Regional Office for Asia & the Pacific

New Delhi-110 024. INDIA

ICA Library



ICA 00014

CONTENTS

Sl.No.	Description	Page
1.	List of Appendices	(ii)
2.	Glossary	(iii)
3.	Preface & Acknowledgement	(vi)
4.	Foreword	(viii)
5.	Summary & Recommendations	1
6.	Status of Action on Resolutions of 6th Asia-Pacific Co-operative Ministers' Conference	20
7.	ILO Recommendation No.193 on Promotion of Co-operatives	32
8.	Co-operative Development - major issues of concern	40
9.	Approach for dialogue with multilateral international institutions	46
10.	Field Study Reports	
	i) Kuwait	51
	ii) Malaysia	60
	iii) Bangladesh	71
	iv) Japan	82
	v) China	96
11.	Country Reports - Cooperative Policy & Legislation	
	i) India	109
	ii) Indonesia	127
	iii) Sri Lanka	130
12.	Strength & Weaknesses of Co-operatives - Country Profile	136
13.	Analysis of responses to the questionnaire	
	i) Trends in Co-operative Movement	145
	ii) Review of Co-operative Policies	152
	iii) Review of Co-operative Legislations	160
	iv) Government and Co-operatives	168
	v) Capitalisation	174
	vi) Taxation	178

APPENDICES

Appendix	Description	Page
I	Malaysia - National Co-operative Policy (2002 - 2010)	183
II	Persons met during study visits	196
III.	Terms of reference	206
IV	References	211

GLOSSARY

ACFSMC	-	All China Federation of Supply and Marketing Cooperatives
ADB	-	Asian Development Bank
ANGKASA	-	National Cooperative Organisation of Malaysia
BRDB	-	Bangladesh Rural Development Board
CCS	-	Cooperative Credit Society
CDF	-	Cooperative Development Fund (Bangladesh)
Co-op.	-	Consumer-Cooperatives (Japan)
COPAC	-	Committee for the Promotion of Cooperatives (COPAC)
DCCB	-	District Central Cooperative Bank
DKN	-	National Cooperative Policy (Malaysia)
EPU	-	Economic Planning Unit
ESCAP	-	Economic and Social Commission for Asia and the Pacific (ESCAP)
FAO	-	Food and Agricultural Organisation
FELDA	-	Federal Land Development Authority
GDP	-	Gross Domestic Product
HRD	-	Human Resource Development
HUDCO	-	Housing and Urban Development Corporation
ICA-ROAP	-	International Cooperative Alliance - Regional Office for Asia and the Pacific
ICC	-	Iranian Chamber of Cooperatives
ICIS	-	ICA Cooperative Identity Statement
ICMIF	-	International Cooperative and Mutual Insurance Federation
ICT	-	Information and Communication Technology
IDACA	-	Institute for the Development of Agricultural Cooperation in Asia (Japan)
IIM	-	Indian Institute of Management
ILO	-	International Labour Organisation
IMF	-	International Monetary Fund
IRU	-	International Raiffeisen Union

JA	-	Japan Agricultural Cooperatives
JA-ZENCHU	-	Central Union of Agricultural Cooperatives of Japan
JCCU	-	Japanese Consumers' Cooperative Union
JJC	-	Japan Joint Committee of Cooperatives
JPK	-	Cooperative Development Department (Malaysia)
LIC	-	Life Insurance Corporation of India
LKIM	-	Ministry of Land and Cooperative Development (Malaysia)
LKIM	-	Fisheries Development Board (Malaysia)
LPP	-	Farmers' Organisation Authority (Malaysia)
LSP21	-	Institute for Indonesia Cooperative Development Studies
MAFF	-	Ministry of Agriculture, Forestry and Fisheries (Japan)
MKM	-	Co-operative College of Malaysia
MLA	-	Member of Legislative Assembly
MoU	-	Memorandum of Understanding
MP	-	Member of Parliament
MPKK	-	National Cooperative Consultative Council (Malaysia)
MSCS	-	Multi-State Cooperative Societies Act (India)
NABARD	-	National Bank for Agriculture and Rural Development (India)
NCCF	-	National Cooperative Consumers Federations
NCF	-	National Cooperative Federation (Nepal)
NCP / DKN	-	National Cooperative Policy (Malaysia)
NCUI	-	National Cooperative Union of India
NGO	-	Non-Governmental Organisation
NHB	-	National Housing Bank (India)
NPA's	-	Non-performing Assets
NPC	-	National People's Congress (China)
PACS	-	Primary Agricultural Cooperative Society
PCARDB	-	Primary Cooperative Agriculture and Rural Development Bank
PDS	-	Public Distribution System
R & D	-	Research and Development
RBI	-	Reserve Bank of India

RCS	-	Registrar of Cooperative Societies
SC / ST	-	Schedule Cast and Schedule Tribe
SCARDB	-	State Cooperative Agriculture and Rural Development Bank
SCB	-	State Cooperative Bank
SMCs	-	Supply and Marketing Cooperatives (China)
UCCS	-	Union of Consumer Cooperative Societies (Kuwait)
UN	-	United Nations
UNO	-	United Nations Organisation
VAT	-	Value Added Tax
WOCCU	-	World Council of Credit Unions
WTO	-	World Trade Organisation

PREFACE AND ACKNOWLEDGEMENT

This study on Co-operative Legislation and Policy Reforms is third in a series of studies commissioned by ICA-ROAP since convening of the first Co-operative Ministers' Conference in Sydney, Australia, in 1990. The last such, 6th in the series, Co-operative Ministers' Conference of Asia-Pacific Region was held in Kathmandu, Nepal, in April 2002. Major input for this conference, preceded by regional consultations held in Tehran, Iran, in July 2001, was the findings and recommendations of the 2nd study conducted by two able professionals in the field, Mr. Ravi Shankar and Mr. Garry Cronan. The conferences and consultations held so far focused mainly on enabling co-operative legislation and policy reforms in order to create favourable environment for sustainable development of co-operatives in a changing global economic scenario. The objectives of the present study are to examine the process of reforms in legislation and policies of the governments in the region and to assess the impact of the resolutions of the 6th ministerial conference and their implementation.

The field study was undertaken in Kuwait, Malaysia, Bangladesh, Japan and China mostly in October 2003. The study and this report is seriously constrained by time, but for which, perhaps, a much better output would have been possible. Given the constraints and consequential limitations, efforts were made to produce this report on time with the support, guidance and advice from many quarters. For further studies, if any, it is desirable to draw a more realistic time frame and work schedule.

I wish to sincerely thank the Regional Office of the International Co-operative Alliance (ICA-ROAP) for entrusting this task of undertaking the study. Personally, it was an opportunity to learn and understand from the experiences of co-operatives in various sectors in different countries of this vast region. Discussions with the managements of the co-operatives and with ministers and officials of the concerned government departments in the countries visited, have been most rewarding and beneficial for this report.

I am grateful to Mr. Shil Kiwan Lee, Regional Director, ICA-ROAP, not only for entrusting this study but also for his encouragement and valuable guidance. I am also thankful to Mr. B.D.Sharma, Senior Consultant, ICA-ROAP, who was associated with this study at every stage, including during study visits, for the active support and valuable input provided in accomplishing my task. Discussions we all had with Mr. Robby Tulus, predecessor of Mr. Lee, on 4th November 2003, were found extremely useful for which I owe my gratitude to him. Other staff members of ICA-ROAP also deserve appreciation for their assistance at every stage.

I consider it my duty to acknowledge with appreciation good work done by consultants in India, Indonesia, Sri Lanka and Iran by their response to the questionnaire and also for their country reports, which form part of this report.

During our field study and discussions in the five countries, we met a number of persons representing the managements of co-operatives as also government officials besides concerned Ministers in Kuwait and Bangladesh. Mr.Sharma and myself are grateful to them for the courtesy shown for sharing their time and for sharing their views relevant to the study.

While I am fortunate to receive support from many friends and well-wishers in my work, one person deserves mention here is Mr.Bhagwati Prasad, Chief Executive of National Co-operative Union of India (NCUI) who was at my rescue, whenever needed, by providing guidance and services of his officers. I am thankful to him and his officers. The National Centre for Management Development in Agriculture and Rural Development Banking (The Centre), Bangalore, with which I am associated since inception in 1990 as its Honorary Trustee Secretary, has been extremely generous in providing needed support in my work. I thank the officers and staff of the Centre for the hard work put-in by them in producing this report.

Last but not the least, the prime motivator for accepting this consultancy is Mr.B.S.Vishwanathan, Chairman of the Centre and a prominent cooperator of my country, who held many important positions in the co-operative sector both nationally and internationally spanning over last four decades. My heartfelt gratitude to him for his confidence in my professional competency and for his consistent encouragement.

P.V. Prabhu

FOREWORD

International Cooperative Alliance (ICA), in Asia-Pacific Region, has been assiduously pursuing the cooperative legislation reforms and policy development to enable cooperatives to adapt with the fast changing socio-economic environment. Cooperatives in a number of countries historically, have been Govt. sponsored enterprises and have been used as instrumentality of state for implementation of developmental programmes. Such cooperatives, therefore, are in a state of transition into member based and self regulated cooperative system that can sustain in a competitive environment. To provide momentum to this process, ICA has been facilitating continuous dialogue between the Government and cooperative movement of the region through Cooperative Ministers' Conference and Regional Consultations since 1990, apart from undertaking critical studies of cooperative legislation and policy from time to time.

Since the times of first and second critical studies, which formed the basis of deliberations of IV, V and VI Cooperative Ministers' Conferences, there have been a lot of changes in environment around cooperatives. Number of countries have initiated steps for cooperative legal reforms. The Sixth Cooperative Ministers' Conference emphasised the need for formulation of specific national cooperative policies and well defined positioning of cooperatives in over all national economic policy. The most important recent happening is adoption of ILO Recommendation 193 on Promotion of Cooperatives that may provide a guide post for Cooperative Legislation and Policy Development.

The Third Critical Study has been undertaken in the above context. Its main objectives were to examine the status of reform process in cooperative legislation and policy development and assess impact of resolutions of the 6th Cooperative Ministers' Conference on this process. The outcome of the Study is the based on field studies in a few selected countries and inputs provided by the country consultants. Besides, information was collected through a comprehensive questionnaire from ICA member organisations and Govts. in the Region.

While the second critical study defined important elements of public policy on cooperatives, the Third Study, apart from examining initiatives for cooperative legislation and policy reforms undertaken by the Govt., highlights important areas of concern of coops.

Hard labour put in by our external consultant Mr. P.V. Prabhu and country

consultants deserve our deepest appreciation to bring out a good Study Report during a limited time. Mr. B.D. Sharma, Senior Consultant, who coordinated the study and provided useful input and support to the external consultant, equally deserves our deep appreciation. We hope the outcome of the study will be very useful for policy makers both within the Governments and cooperatives to provide an added impetus to cooperative reform process.

New Delhi
27th January, 2004

Shil Kwan Lee
Regional Director

SUMMARY AND RECOMMENDATIONS

1. INTRODUCTION

1.1 This study, third in the series, was commissioned by ICA-ROAP with the main objective to report on critical appraisal of the extent to which resolutions of the 6th Cooperative Ministers' Conference held in Kathmandu in April 2002 have been implemented / adapted by ICA members and the governments in the region focusing on impact of reforms process on cooperatives and actual results thereof. Understandably, the reforms process on cooperatives is in relation to enabling cooperative legislation and governments' public policy on cooperatives in the context of resolutions adopted at the ministerial conference. This summarised report is based on the field studies conducted in 5 countries of the 4 main sub-regions of Asia-Pacific Region (China, Japan, Bangladesh, Malaysia and Kuwait), response to the structured questionnaire canvassed for the study received from member-countries of ICA in the region and information gathered and input provided during discussions with cooperative leaders, government officials and experts in the field.

1.2 Limitations of this report, its contents and analysis are due to certain constraints, the most important being constraint of time which limited the field study to only 5 countries as against 8 planned and that too very brief.

1.3 Analysis and views in this summary are mainly based on field studies and status of the situation in other countries is analysed separately in the Report.

2. ENVIRONMENT

A. Economic:

2.1 The environment in the countries taken up for study has significantly changed since the last study early in 2001. East-Asian economic crisis is a history to learn lessons. There was also an adverse impact of 9/11 terrorist attack in 2001 in the United States on the global economy. Because of globalised nature of economy, what happens in one major developed country is bound to affect the economies of other countries and Asia-Pacific region is no exception to this rule.

2.2 Economy in the region was also impacted by the scare of SARS - the worst affected sectors being civil aviation, tourism and hospitality which contributed substantially to the economy of several countries in the region. More than anything, recessionary trend in the global economy, particularly in the developed countries, affected the trade of many countries in Asia-Pacific. Depressed economy has depressed growth of the cooperatives in no small measure. World economy is slowly back on

tract and in fact, started showing signs of revival and stability with modest growth, which otherwise was static if not negative. Cooperative development has to be seen from this background.

B. Policy Advocacy: Promotion of Cooperatives - ILO R-193

2.3 International Labour Organisation (ILO), a specialized agency of the United Nations (UN) mandated by its Constitution for consultations with recognized non-governmental international organizations including those of agriculturists and cooperators. ICA has maintained a consultative status with the ILO and collaborated in various forums and activities which have contributed in no small measures to the cooperative ideology and development.

2.4 The most significant development in the environment contributing to the future organization and growth of cooperatives in all the countries has been the Recommendation No. 193 on Promotion of Cooperatives adopted by the ILO on 20th June 2002. This comprehensive resolution will have favourable impact on cooperatives globally. While this recommendation is annexed in this report, its salient features are briefly outlined below because of their relevance to some of the recommendations in this report:

- i. Recognition of importance of cooperatives in job creation, mobilization of resources, generating investment and their contribution to the economy.
- ii. Recognition of cooperatives in the economic and social development.
- iii. Promotion and strengthening of cooperative identity.
- iv. Adoption of measures for promoting the potential of cooperatives in order to assist them and their membership.
- v. Adoption of measures to enable cooperatives to respond to their members' needs and needs of the society.
- vi. Guidelines for national policies on cooperatives.
- vii. Promotion of best practice on corporate governance of cooperatives.
- viii. Adoption of legislation and regulation on cooperatives guided by cooperative values and principles.
- ix. Government facilitating access to cooperatives to support services as also to investment finance and credit.
- x. Role of employers' and workers' organizations and cooperative organizations, and relations between them.

- xi. International cooperation promoting relationship between national and international institutions.

3. RELEVANCE OF EARLIER STUDIES

Changed Scenario:

3.1 The first study on cooperative legislation and competitive strength undertaken in 1996 touched upon various aspects of cooperative development and government attitudes and policies towards cooperatives. Series of recommendations made in the study report were meant to be addressed to for initiating follow-up measures at the level of ICA, governments and cooperatives themselves. Though these recommendations are valid for action even today, there have been developments of a diverse nature both at the country level and globally, which have impacted the cooperatives and the development process in one way or the other. In addressing to these resolutions of the first study, changed market conditions, economic scenario and reforms carried out by the governments in different sectors of the economy are relevant factors to be taken note of.

Multiplicity of Regulatory Authorities:

3.2 Governments' administrative structure responsible for cooperative development in each country differ considerably hampering cooperative development. Even when "cooperation" or "cooperatives" is a central subject at the level of national government, there are variances as to the authority responsible to administer the cooperatives. Typical example could be found in Japan, where several ministries are responsible for respective sectoral cooperatives with multiplicity of laws for different sectors even within the same ministry. Ministry of Agriculture, Forestry and Fisheries (MAFF) has separate laws for Agricultural Cooperatives and Fisheries Cooperatives. Policies for cooperatives in different sectors necessarily have to be sector specific as they come under different ministries. Thus, it is not one single ministry or department, but several ministries and departments responsible for cooperatives in several countries of the region. Hence, conducive law or favourable policy for cooperatives has to be viewed from this diversity.

National Coordinated Approach (Government):

3.3 In the above context, question would arise as to which minister, ministry or department of the government would represent the cooperatives at the forums like ICA Cooperative Ministers' Conference? There is no easy answer to this complex issue as cooperatives, as a matter of government set-up, fall under various ministries. In several countries, there is neither a ministry separate for cooperatives nor a department separately for cooperatives. It will be a complex and uphill task to monitor the implementation of any decision for reforms in cooperatives and impact of such reforms measures. The issue of one enabling legislation, one favourable public policy, one

regulatory and responsible ministry for cooperatives under a minister is a desirable condition but in the absence of which, feasibility of evolving a national coordinated approach has to be explored through deliberations to avoid duality or multiplicity of controls.

Institutionalising Informal Coordinating Mechanism (Coops):

3.4 Direct fall out of the above structure of governance - where cooperatives come under the control of different ministries with multiplicity of control - is the structural deficiency in cooperatives devoid of a national apex federation representing all the sectoral cooperatives. Cooperative advocacy, spokespersonship and other promotional role expected to be played by the said apex federation gets weakened and diffused. This gap has to be filled in the overall interest of the cooperatives by institutionalising the informal coordinating mechanism.

Disparity in Reforms Process:

3.5 There is yet another aberration where cooperatives come under the purview of the state / provincial control with legislations and policies which differ from province to province. Any national policy for cooperatives in such conditions could at best serve as a guideline to states / provinces and not mandatory. This has resulted in wide disparity in the autonomy of the cooperatives and in their development within a country. National governments in such conditions, have to play a pro-active role both for cooperative advocacy and for balanced growth of cooperatives facilitated by desirable legislative reforms and policies at the state / provincial level.

Involvement of International Organisations:

3.6 Equally important is the suggestion in the report (1996) for advocating among major multilateral international organizations for adoption of a favourable policy on cooperatives restated by the resolution of the 6th Asia-Pacific Cooperative Ministers' Conference. This has so far not been operationalised. These multilateral institutions with the exception of specialized UN organizations like ILO and FAO are hardly seen to have been involved with cooperatives despite the inherent strength and suitability of cooperatives for transformation of socio-economic conditions. World Bank, it is reported, has supported for preparing a comprehensive proposal for reforms in cooperative legislation in Indonesia. International agencies, generally, work with the governments or governmental organisations. Favourable disposition towards NGOs with technical and funding support is a recent phenomenon. Initiative for a cooperative policy or for involvement of cooperatives in implementing the projects / programmes aided by international organizations has to be at the highest level. To facilitate this process through ICA involving other international cooperative organisations, a draft approach has been drawn and suggested in this report for consideration and further refinement.

Emphasis on Reforms:

3.7 The second critical study on cooperative legislation and policy reforms which formed the basis for deliberations at the 6th Conference, was an extension of first study though in a changed environment. East-Asian economic crisis which impacted the sub-region affected cooperatives too. To reposition themselves to the changed situation was a challenge and formidable task. The study therefore rightly emphasised on the need for reforms in legislations and for a favourable public policy on cooperative development in the ICA member countries of the Asia-Pacific region. This was endorsed by the Kathmandu declaration and incorporated in the conference recommendations. This needs to be pursued.

4. STATUS OF IMPLEMENTATION (Resolutions of 6th Conference)

4.1 While much remains to be attended to at the levels of governments and cooperatives for ensuring growth of cooperatives on a sustainable basis facilitated by legislation and policies, the position revealed from the present third study on the implementation aspect of the 6th Asia-Pacific Cooperative Ministers' Conference is brought out in the report separately for review and follow up decisions at the level of Regional Consultations as also at the forthcoming 7th Ministerial Conference.

5. SLOW PROCESS OF REFORMS

5.1 It may generally be stated that the progress on implementation of the resolutions is rather slow and evidently, the process of desirable and necessary reforms in the legislation as also evolving of an appropriate policy for cooperative development is yet to gather momentum in the countries of the region. The position in this regard is analysed in the report separately from the findings of field studies and from the responses to the questionnaire.

5.2 Overall economic reforms initiated by the governments cannot be at the exclusion of cooperatives. There was considerable delay in realising this fact in the developing countries because of other priorities like adjustments in macro-economic policies, fiscal policies, liberalisation policies applicable to commerce, trade and industry, privatization of public sector enterprises and reforms in the financial and banking sector. This caused incalculable damage to the cooperatives in several sectors as they lost the competitive edge in their business functions. Regulated and controlled regime over cooperatives continued and still prevalent in some countries. Cooperatives being democratic institutions, there is no let up in vote bank polity to serve mostly the political interest of parties in power.

5.3 Weaknesses noticed in cooperatives in the countries are the direct result of the indifferent attitude of the governments for repositioning the cooperatives through legislative and policy reforms. In comparison to private sector enterprises with

considerable flexibility in their operations facilitated by reforms, cooperatives are found to be at a disadvantageous position even now with constrained level playing field. This is partly due to their continued dependence on government for policy support and operational independence. While governments claim to support cooperatives as a matter of policy and are seized of their problems, not much seems to have been done to redress the grievances and to empower them to play the expected role in the economic development

6. LEGISLATIVE REFORMS INITIATIVES

6.1 Enabling legislation has been a contentious issue because in most of the developing economies, initiative came from the government for setting-up cooperatives for implementation of certain government sponsored socio-economic programmes. Due to government support and even participation in equity of rural credit and banking cooperatives and other multipurpose agricultural cooperatives: government exercised undue controls and interfered in the managements functions of the cooperatives. Such support and control has minimized due to reforms in law; and by and large, cooperatives enjoy autonomy.

6.2 Simultaneously with such reforms, government assistance has petered out in most countries except in the nature of funds at concessional rates for certain priority sectors like agriculture. Funding support for training, education, etc., is forthcoming in most countries. Cooperatives also enjoy certain concessions in the matter of taxation on profits.

6.3 To a considerable extent, in most countries, funds for training and other developmental activities are raised from cooperatives in the form of contribution to Cooperative Development Fund or to Training and Education Fund constituted by the governments with the sanctity of law from out of net profits. These funds are administered mostly by the governments and quite often, utilised for purposes other than intended. It may be desirable to entrust this responsibility to the cooperatives themselves involving the apex federations or such other organization at the national level. To say the least, judicious utilization of scarce funds for the cooperatives either for development or for training / education is necessary with active involvement of cooperatives in the administration of the fund.

6.4 Reforms in legislation, mainly aimed at elimination of government control and interference in the management, has been a continuous process. Laws have undergone changes in most countries; but there exist scope for further amendments to make the cooperatives totally free from government clutches. They ought to be on their own and become self-reliant, member-driven and member-controlled organisations.

6.5 While in China, law is yet to be enacted and process is on at provincial level. in Bangladesh, existing legislation, though much liberal, has several restrictive provisions

as also provisions for exercising control by the Registrar which, at times, may appear justifiable. While the Registrar has reasons for interventions, cooperative leadership feels otherwise as undue interference. In Malaysia, law is liberal and favourable for cooperative development and provisions are adequate as to the values and principles. Cooperatives feel government should involve them more actively before changes in the legislations are carried out or policy changes are made. In Japan, changes in sectoral laws under different ministries have been carried out frequently to meet the changing needs of cooperatives and the markets for repositioning the cooperatives. Legislation for consumer cooperatives and rules framed there-under, however, need certain modifications based on experience of cooperatives. Cooperative values and principles as such are not finding place in the laws though they reflect such values and principles. In Kuwait, the Cooperative Law 1979 under the Ministry of Social Welfare and Labour is liberal enough to ensure growth of the consumer coops. Other cooperatives have hardly any presence. Law upholds the values and cooperative principles. Certain changes in the law are envisaged initiated by the consumer cooperatives. The government has initiated a dialogue with the cooperatives for carrying out the amendments based on feedback from field.

7. POLICY REFORMS INITIATIVES

7.1 Policy environment for healthy growth of cooperatives is changing - thanks to the advocacy and initiative of the ICA. The governments have realized the importance of the cooperatives in a liberalized economic regime and have initiated framing appropriate policies for cooperatives to preserve their identity and to promote their development. Liberalisation, privatisation and globalization of the economy and WTO agreements have impacted cooperatives adversely in many countries. While reversing the process of policy reforms initiated mostly at the instance of world bodies like World Bank and IMF is not possible because of compulsions and even advantages, not all sections of the population are able to derive tangible benefits of liberalised policies. Disparities in income levels have grown and it takes time for the poor to take advantage of the emerging opportunities in the economy. Hence, cooperatives are found more relevant today than ever before for organizing their economic activities and to gain from collective endeavour. This has lead the governments to reframe policies in the changed context of impacts of reforms.

7.2 It is not that governments are devoid of policies for cooperatives. In China the policy of the government for agriculture and farmers encompasses the policy for cooperatives. There is however no separate policy as such of the government at the national and provincial levels. The existing policies are supportive of cooperatives' endeavour. In Japan too sectoral policies of the government with different sector-specific laws promote development of the cooperatives even though there is no one policy as such applicable to cooperatives in all sectors. In Malaysia, a comprehensive policy for cooperatives has been drawn on slated lines, which is likely to be formalised

for adoption. This draft policy is comprehensive with mechanism for review and follow-up. In Bangladesh, though government claims to have drawn a draft policy, not much of a development seen for its adoption. Cooperators are unaware of such a policy and cry for drawing one for strengthening the cooperatives which are weak and dormant except in emerging sectors like dairy and housing. In Kuwait, government policy for consumer cooperatives reflects its commitment for developing this sector. Government provides infrastructure for consumer cooperatives according to its work programme and cooperatives are fully exempt from tax on their profits according to the policy. A separate policy for cooperatives is however yet to be evolved and the government reaction to the proposal is favourable, particularly for promoting growth of cooperatives in other sectors like agriculture, savings and credit and handicrafts.

7.3 Policies for cooperatives exist in different forms, shapes and shades though not in the form as one would like it to be. They fall short of a comprehensive national public policy on cooperation specifying the place and role of the cooperatives with a distinct identity of their own in the socio-economic development of the respective countries. This needs to be pursued as a necessity in the on-going process of economic reforms.

8. DYNAMICS OF REFORMS PROCESS

8.1 Reforms process in the cooperative development is closely linked with the ongoing reforms process in the economy and policy changes of the governments. The process of change in the cooperatives ought to be dynamic. So also the legislative reforms and policy reforms for cooperatives. They cannot and should not be static. Whatever reforms have taken place so far in changing the cooperative legislation and policies ought to be reformed or refined further consistent with the on-going economic reforms. Periodically, there is thus a need to re-look and examine the changes essential for development of cooperatives on a sustainable basis.

9. DISPARITY IN COOPERATIVE DEVELOPMENT

9.1 Cooperative development in the countries studies shows wide disparity so also regional disparity within the country. Disparity in sectoral growth is yet another dimension of development. While several factors are attributed to this condition, government policies are also a contributory factor. For example, in China, reliance on cooperatives for growth of agriculture and rural economy by the government resulted in development of rural cooperatives (supply and marketing cooperatives). Governments at national and provincial levels have no definite strategy for developing cooperatives in other sectors. Rural sector in general and agriculture in particular is the government priority hence the growth of agricultural cooperatives in the country.

9.2 In contrast, agriculture is not important in the economy of Kuwait. Government

priority is food security and making available food and other essential commodities to the people in an organized manner. Consumer coops are encouraged and supported by the government as a matter of state policy and hence the growth and strong presence of consumer cooperatives accounting for more than 80% of retail trade in food items.

9.3 In Japan, cooperatives have strong presence in several major sectors which has led to a balanced growth though cooperatives are relatively strong in agricultural sector and consumers' trade.

9.4 In Bangladesh, cooperatives are relatively weak, but dairy cooperatives are showing healthy growth with potential for further development because of government policy and support. The position is similar in regard to government sponsored and assisted farmers cooperatives administered by the government agency of BRDB.

9.5 In Malaysia, cooperative development is impressive particularly in banking and credit and agricultural sectors. School cooperatives are well-spread with a large membership benefiting school children in several ways. This model is worth studying for replication in other countries.

9.6 Sectoral growth, which is country specific, is directly related to deliberate government policy to develop a particular sector through the cooperative system. This policy has led to lopsided growth and weaknesses in the cooperatives of neglected sectors. A balanced policy ensuring growth of cooperatives in all the major sectors for percolating the economic benefits to cross sections of the people would be a desirable policy. ICA-ROAP could play a facilitating role for sharing experiences of successful sector specific growth models of the Asia-Pacific region.

10. SUPPORTIVE MEASURES

10.1 The governments in most countries have given up the role of promoting and sponsoring cooperatives through their agencies. Cooperatives supported by government with equity and subsidy have failed miserably when support is withdrawn. Liberalised economic policy of governments invariably envisages growth of any form of enterprise, including public sector without government assistance, funding and subsidies. This policy has been more or less made applicable to cooperatives. Disengagement of government from cooperatives also means autonomy and independence so essential for making cooperatives member-driven free from government control.

10.2 Government support in the matter of enabling legislation, policy, training and education, infrastructure and in taxation is however essential for development of cooperatives and attainment through them the socio-economic development of the country. Cooperatives are generally viewed as essential partners of development in several fields of economic activity beneficial to weaker sections of the society. They serve the socio-economic objectives of the government.

10.3 It is in the above background, most governments support cooperatives in one or more of the following areas:

- (i) Liberalised conducive legislation;
- (ii) Public policy for cooperative development
- (iii) Financial support in select sectors
- (iv) Concessional funding particularly for farm sector.
- (v) Equity support to cooperatives in priority sectors.
- (vi) Support of infrastructure to cooperatives as also to members.
- (vii) Training infrastructure and funding for education and training.
- (viii) Support to members of cooperatives, particularly farmers.
- (ix) Support to cooperatives for undertaking agency functions of the government.
- (x) Technology upgradation assistance.
- (xi) Concession in the matter of taxation, stamp duty, registration fees, etc.

10.4 In all the countries, support of government to cooperatives is extended in one form or the other and its continuance is ensured despite policy changes and economic reforms. If not, the policy should be reviewed in this regard. Government equity is hardly forthcoming in cooperatives though such support was a major factor in government sponsored cooperatives in the past, particularly in the agriculture and rural sectors.

11. AREAS OF CONCERN

11.a Identification:- To realize the objective of cooperative development on a sustainable basis, certain areas of concern are focused, as observed during the study, which need to be attended to through the joint endeavour of the government and the cooperatives. They are:

(i) Mechanism for policy implementation

Enabling legislation and well intended policy in themselves will not ensure cooperative development unless initiative is taken to derive benefits of the law and policy. To translate the policy into action, institutional arrangement is necessarily represented by the government and the cooperatives. The task is to review and monitor the policy on a continuing basis.

(ii) Professionalisation of management

Cooperatives continue to be managed by non-professionals. Professionally ill-equipped managements find it difficult to face the competition and challenges of the market economy. Further, cooperatives are neither cost effective nor efficient because of outdated management practices. It is necessary to professionalise the management at all levels.

(iii) Man-power planning & development strategies

Absence of manpower planning and development strategy is an area closely related to professionalisation. Training arrangements covering members, elected representatives of the board and employees are found to be grossly inadequate in some countries. On the other hand, available set-up is not used properly. Under utilisation is mainly due to lack of importance given for training and inadequate budgetary support. Indifference towards training institutions run by the government is evident. In such cases, desirability of devolving responsibility to cooperative national federations by transfer of these institutions or to such other authority represented by cooperatives may be examined. Other related issues are adequacy of funding arrangements, strengthening of training infrastructure including faculty and streamlining the managements of the institutions to be more responsive to the needs.

(iv) Business planning & development

Cooperatives in several developing countries are not known to the practice of drawing their business plans to realize the targets, objectives and goals. Such a perspective plan covering all areas of operations is essential for business development in a planned and organized manner. Higher tier cooperatives like apex unions / federations could play an important supportive role to introduce the concept of business planning in cooperatives at all levels by means of guidelines, models and of course training.

(v) Implementation of govt. sponsored programme

It is not uncommon for government to implement their socio-economic programmes though cooperatives aimed at certain target groups and objectives. Its impact on cooperatives could be adverse. Implementation of such programmes, howsoever desirable they may be, cannot be at the cost of autonomy and viability of cooperatives.

(vi) Government support & its implications

Government support should not be viewed as a favour but as an essential component of the policy for realising the desired objectives. Support to members provided through cooperatives should not be an excuse for controlling and interfering

in the management of cooperatives. Cooperatives are to be insulated from bureaucratic control and governmental interference in the management.

(vii) Cooperation among cooperatives

The cooperative principle of “cooperation among cooperatives” is not always adhered to and cooperatives are seen working in total isolation. This worked to their disadvantage. For example, marketing and processing cooperatives not agreeing to link credit with marketing. Net-working between cooperatives at different tiers of the structure is also lacking. In the overall interest of the cooperative movement, cooperation among cooperatives should be practiced more effectively.

(viii) Capitalisation

Inadequate financial base - equity and resources - is a serious problem and concern for developing business at the level of small cooperatives and credit, banking and insurance cooperatives. There are several constraints in augmenting equity through members like limited returns on capital, non-tradability of stock in the market and observance of principle of “one member one vote”. Banks are finding it difficult to raise equity to meet the prudential norms of capital adequacy ratio mandated by central banks. Inadequacy of working capital is also a problem for cooperatives due to weakness of cooperative banking sector. Problem of capitalization calls for serious deliberations as also innovations.

(ix) Revitalisation

Sickness in cooperative is growing in many countries for a variety of reasons both internal and external to the organisations. No concrete plan of action for revitalizing and rehabilitating these cooperatives has been put into place in these countries. Potentially viable cooperatives need support from the government and federal organisations. Action plan and monitoring mechanism necessarily be sector / institution specific after determining the causes of sickness.

(x) Inter-departmental Co-ordination

Apart from regulatory role of RCS, cooperatives are also controlled / regulated by other ministries / departments of the central / provincial governments and even by development finance institutions and central bank in certain cases. This duality / multiplicity of control are a problem and an area of conflict affecting the cooperatives. To minimize such adverse impact, inter-ministerial coordination at the government level is desirable besides clear functional demarcation.

(xi) Institution protection mechanism

Cooperatives are ill-equipped to deal with situations affecting their business

operations which may be due to various external factors. Certain risks of business, including funds constraints also affect the viability. To meet with such a situation, a process of amalgamation and restructuring is seen globally particularly in sectors like credit and banking, marketing, consumer trade and agriculture. Infusion of funds / capital becomes a necessity to strengthen the amalgamated set-up and for viability. Establishment of an institution protection system / fund with or without government support could be a solution for protecting the cooperatives from risks and uncertainties. Constitution of sector - specific fund at the national / provincial level may be worked out as a matter of policy with modalities for its augmentation, utilization and administration.

(xii) Technology - application and upgradation

Cooperatives are rather slow to take advantage of the information and communication technologies for modernizing the management and for efficiency of business operations. Through such technologies they can considerably improve their systems and procedures as also efficiency of services to the members. This could also be a cost effective measure for enhancing profitability and competitive strength. Government and apex institutions including development finance institutions, who have a stake in the cooperatives or are responsible for ensuring their development could play a supportive role for modernization of management technologically.

11.b *Solutions:-* Through the joint endeavour of the government and the movement, the identified areas of concern could be effectively tackled. They have a bearing on the legislation, policies and rules of the government even though a few of the problem areas concern management policies and decisions. Since reforms in legislation and policies are meant to facilitate unhindered development of cooperatives, any government support or helpful intervention by suitably modifying the legislation or rules should be viewed as legitimate government responsibility for resolving the areas of concern affecting the cooperatives. This apart, some concern areas could also find appropriate place in government policies for implementable action by concerned. Ignoring these areas of concern / problems would only mean ignoring the realities.

12. SUMMING UP

12.1 Environment for cooperative development is found to be favourable with the global economic revival and due to the on-going reforms process of the governments. Advocacy of ICA-ROAP is also a contributory factor for the enabling legislation and policies pursued by the governments for cooperative development. More than anything, ILO recommendation No.193 of 2002 on Promotion of Cooperatives has been a notable development which will not only accelerate the process of desirable reforms but will also contribute substantially to establish and develop cooperatives on sound footing as vehicles of socio-economic development.

12.2 Generally speaking, ICA-ROAP initiatives and advocacy for reforms in legislation and formulation of policy supportive of cooperative development have largely succeeded in influencing the national and provincial governments of the Asia-Pacific Region. As a result, legislative reforms are taking place in many countries. Reformed laws are found to be more liberal and flexible for ensuring development of cooperatives as autonomous, independent and member-driven democratic entities to sub-serve the objectives of socio-economic development of members thus contributing substantially to the process of economic development of the nations.

12.3 A contentious issue often raised, which is more of an academic nature, is what should follow what for legislative and policy reforms. The views are found to be divergent. There can be a debate on this for drawing guidelines. Historical factors and reforms dynamics differ considerably from country to country. In this background, relevant aspects are: (a) harmony in the enabling legislation and policy reforms; (b) avoidance of contradictions keeping in view the overall objectives; and (c) elimination of inconsistencies. Action point relates to one of the following three alternatives depending on the country specific situation:

- (i) examine both legislation and policy for reforms;
- (ii) examine the legislation for drawing policy;
- (iii) examine the policy for enabling legislation.

12.4 While only a few countries have drawn policies on the suggested lines specifying the role and place of the cooperatives in the economy consistent with the reformed legislation. Policies however do exist in all the countries facilitating development of cooperatives. Besides continuance of advocacy for adoption of appropriate national level policy in all the countries, emphasis need be laid for follow-up measures for ensuring more effective implementation of the policies.

12.5 In the above context, a need has arisen to look into the policy and work programme of the ICA-ROAP in so far as Regional Consultations and biannual Ministers Conference are concerned. It is felt that two years is too short a period for governmental action and decision on implementation of the recommendations of the conferences. The process of legislative reforms and of policy changes, involves, inter-alia, investigations, consultations and decision making at different levels. Impact and results show that not much progress has been achieved in actual implementation of the decisions of the last conference held in 2002, though there are indications of action being initiated at the governmental level influenced by the advocacy of ICA-ROAP. In this context, the following issues are raised for ICA-ROAP to decide on:

- (i) changes in the periodicity of Regional Consultations and Ministerial Conference; and

- (ii) follow-up measures and dialogue during the intervening period with the national governments and cooperatives for implementation of the recommendations.

12.6 Cooperative bureaucracy today is less powerful than in the past because of legislative reforms, public policies and public awareness. They exercise less control over cooperatives though control and interference continues in several developing countries where cooperatives depend on government support and patronage. Political interference is also on the wane as cooperatives are more independent and less dependent. Insulating cooperatives from such control and interference is not an easy task considering the element of democracy in the management. It would take some more time but the developments are encouraging.

12.7 Support of governments to cooperatives, apart from policy, continues in almost all the countries though extent of such support varies from country to country. Taxation is one area where cooperatives enjoy concessions though not total exemption. Equity and funds cooperatives received in respect of government sponsored cooperatives particularly in the agriculture and rural sector are being withdrawn in all the countries - though with a few exceptions - and governments are no more partners of cooperative enterprises. This is desirable and necessary for preserving the autonomy and for attaining self-reliance despite initial adverse impact of the policy. The problem of capitalization and limitations on its augmentation particularly in the credit, banking and insurance sectors for complying with prudential norms is a serious issue for deliberations and innovations. Government support in areas like taxation, education, training and infrastructure development should continue because of the potential of the cooperatives for contributing to the socio-economic development of the country.

12.8 In the matter of government control and intervention, it is necessary to make a clear distinction between support to members and support to cooperatives. Support provided to members for their benefits should not be an excuse for government interference in the management.

12.9 Weakness and sickness in cooperatives is growing in several sectors for a variety of reasons both internal to the organization and due to extraneous factors on which they have less control. The reasons are analysed in the report. These areas of concern should be effectively resolved / attended to through the joint endeavour of cooperatives and the government and wherever necessary, through reforms in legislation and policy.

13. RECOMMENDATIONS/SUGGESTIONS

In the context of the foregoing, the following recommendations/ suggestions are made for deliberations, consideration and necessary follow-up action at the respective levels:

- (i) Changes in the socio-economic environment of a country considerably impact not only the reforms in the legislation and policies of the government for cooperatives but also the future development of cooperatives. A significant development in the environment, which will have positive impact on cooperative development, has been facilitated by the ILO Resolution 193 of 2002 on Promotion of Cooperatives touching upon cooperative ideology, identity, values and principles, as also operations and management of cooperatives, which will form the guideline for the development of cooperatives globally. The Resolution is expected to greatly influence the governments in adopting favourable and progressive legislation and policies for the cooperatives and give an impetus to reforms process initiated by ICA-ROAP through its advocacy measures over the years. Both the governments and the cooperatives in the Asia-Pacific region may act upon and evolve appropriate strategies for implementing the said Resolution in a time bound manner.
- (ii) The issue of one enabling legislation, one regulatory department for cooperatives under a minister is a desirable condition, but in the absence of which and due to multiplicity of regulatory authorities, feasibility of evolving a national coordinated approach (inter-ministerial coordination) may be explored to avoid duality or multiplicity of controls. Clear demarcation as to the regulatory functions of ministries concerned is a necessity.
- (iii) Structural deficiency in cooperatives, devoid of a national apex federation / union due to multiplicity of structure of governance in the government, is an avoidable gap to be filled by institutionalizing the informal coordinating mechanism, if any exists. This will strengthen cooperative leadership, spokespersonship, advocacy and other promotional and developmental roles both at the national and international levels.
- (iv) Wide disparity in the growth of cooperatives is observed particularly in countries where cooperatives come under the purview of provincial / state governments. National governments in such conditions have to play a pro-active role both for cooperative advocacy and for balanced growth of cooperatives facilitated by desirable legislative reforms and policies.
- (v) Even in countries where considerable legislative and policy reforms have taken place, need has arisen to re-examine and re-look into those reforms for changes so essential for developing cooperatives on a sustainable basis in view of dynamic process of reforms in the economy.
- (vi) Governments should bestow attention for evolving strategies which promote development of new generation cooperatives in sectors which have remained unexplored or undeveloped mostly due to their policies biased in favour of

favoured sectors like agriculture and rural credit. Sector-specific growth models in different countries of the region would be worth emulating - facilitated by ICA-ROAP.

- (vii) Disengagement of government from cooperatives for the autonomy and independence should not mean discontinuance of support in such areas like taxation, education, training, infrastructure, technology and even funding for priority sectors so essential for development of cooperatives and socio-economic advancement of members. Governments may review policies in this regard for continuance of such support to cooperatives.
- (viii) In carrying out legislative reforms, in framing rules and in evolving policies for cooperative development, government should ensure harmony, avoid contradictions and eliminate inconsistencies.
- (ix) For judicious use of funds, it is desirable to entrust the responsibility of administering the Cooperative Development Fund / Cooperative Education Fund (constituted from the contributions of cooperatives from their profits) to the apex federations / unions or to such other body represented by cooperatives. Governments should however draw guidelines in consultation with cooperatives on augmenting funds, its use and management.
- (x) Capitalisation in cooperatives, particularly in sectors like credit, banking and insurance where they have to adhere to the universally recognized prudential norms stipulated by the concerned central banks, is a major problem affecting several cooperatives. ICA-ROAP should address to this emerging problem and facilitate interaction / discussion for solutions through innovations.
- (xi) Identified areas of concern need be tackled / resolved / attended to through the joint endeavour of the government and the cooperative movement. Some of these areas of concern have a bearing on the cooperative legislation, rules framed under the law and the policies of the government; and hence, initiative for appropriate changes in them should receive prompt attention of the government. Major areas of concern, as such, are -
 - (a) Slackness in implementation of policy in the absence of effective mechanism for review and monitoring at the level of government.
 - (b) Absence of professional management.
 - (c) Ineffective man-power planning and development strategy and inadequacy of training infrastructure.
 - (d) Absence of business planning and development.

- (e) Implementation of government sponsored programmes at the cost of autonomy and viability.
- (f) Government exercising control and interfering in the management even when support is intended for members benefit.
- (g) Disadvantages arising from non-adherence of principle of 'cooperation among cooperatives' and due to poor net-working between cooperatives at different tiers of structure.
- (h) Inadequacy of funds and problems of capitalization.
- (i) Absence of action plan and strategy for revitalization/ restructuring of weak/ sick cooperatives which are potentially viable.
- (j) Adverse impact of duality/ multiplicity of government control.
- (k) Absence of institution protection mechanism/ arrangements for strategic repositioning/ restructuring as also for protection against risks and uncertainties.
- (l) Slow process of technology application and upgradation so essential for building up competitive strength and operational efficiency.

(Specific suggestions on some of the areas of concern are given in the report).

- (xii) While continuing its advocacy for reforms in legislation and policy, ICA-ROAP should emphasise on the need to evolve appropriate follow-up measures for more effective implementation of policies, which is presently found to be lacking.
- (xiii) To hasten the process of information and policy dialogue with the multilateral international organisations recommended at the earlier ministerial conferences, ICA may evolve a coordinated approach for dialogue, at the highest level, involving other international cooperative organisations. Evolving an appropriate approach as to the objective, expectations and results to be achieved is a pre-requisite for such information and advocacy dialogue.
- (xiv) In the context of slow process in implementing the resolutions of ministerial conference by governments and inevitable delays in the decision making process of governments, ICA-ROAP should review its policy and work programme to decide on (a) periodicity of regional consultations and ministerial conference; and (b) follow-up measures and dialogue in the intervening period for sensitizing political and cooperative leadership and the bureaucracy at the country level for implementation of the recommendations.

- (xv) If the overall objective of advocacy and dialogue is for ensuring all-round development of cooperatives on a sustainable basis, sub-serving the socio-economic interests of the members in particular and the country in general, mere reforms in legislation and policies alone are not adequate. Enabling legislation and progressive policy are important but not enough for cooperative development, which depends on other equally important factors like responsible and responsive professional management, productivity, operational efficiency and competitive strength of cooperatives. Governments and cooperatives should constantly endeavour to achieve higher levels in management and operations, matched by enabling legislation and policy reforms. It is necessary to refocus attention to these vital aspects related to cooperative development, besides pursuing reforms in legislation and policies of governments.

STATUS OF ACTION ON RESOLUTIONS OF 6TH ASIA-PACIFIC COOPERATIVE MINISTERS' CONFERENCE

1. The following Kathmandu Declaration adopted at the 6th Cooperative Ministers' Conference in April 2002 is a decision calling upon the Governments of the Asia-Pacific Region for adoption and implementation of appropriate legislation and policy for cooperatives in the new millennium.

Kathmandu Declaration

Recognizing that co-operatives are important people centric organizations imbued with social equity as also instruments for employment generation and wealth creation - particularly for the poor and marginalized in rapidly liberalizing and market driven economies;

Acknowledging the role played by cooperatives during the Asian financial crisis of 1997 when cooperatives amply demonstrated their resilience to thrive in times of crisis;

Noting that Governments of the Asia-Pacific Region have played a very important role to promote cooperatives but in the process there have often arisen major dependencies, thereby limiting cooperatives from achieving their full potential, especially in developing countries;

Emphasizing that the pace of globalization has created a deep sense of urgency to formulate both public policy and other relevant sectoral policies that support development of member based cooperatives;

We the participants of the 6th Cooperative Ministers' Conference held in Kathmandu from April 3-7, 2002 recognize the importance of strengthening processes that facilitate adoption and implementation of appropriate legislation and policy for cooperatives in the new Millennium.

The above Declaration derives strength from the five adopted resolutions of the Conference. Implementation of these resolutions or action taken for implementing them or follow up measures initiated both at the levels of government and cooperatives are summarised below based on the information gathered by the consultant for this study during field studies in five countries (Kuwait, Malaysia, Bangladesh, Japan & China), status reported in the country reports of the consultants from 3 countries (India, Indonesia and Sri Lanka) and from responses to the structured questionnaire (drawn

by the consultant in consultation with and guidance of ICA-ROAP) received from 9 organisations (including from country consultants) in 6 countries (Indonesia, Sri Lanka, Iran, India, Vietnam and Nepal) and 5 national governments (Kuwait, Malaysia, Singapore, Philippines and Israel) represented by members of ICA-ROAP.

2. RESOLUTION-1

“Governments should develop and formulate a co-operative policy - consistent with existing laws and supportive of an enabling environment for co-operatives - that would inter alia contain the following elements:

A preamble that articulates the importance and need for a cooperative policy.

A statement on how Parliament, legislatures and governments must work to sustain an environment where cooperatives can have self-regulation, autonomy and independence.

Describe methods by which government would enable capacity building in cooperatives - leading to their empowerment.

Define the areas where government can provide assistance for member education, training and HRD.

Outline how good governance; such as transparency, right of information and accountability of the board towards members shall be recognized and encouraged in cooperatives.

Explain how different ministries that comprise the government would act in a coherent and coordinated manner to fulfill the objectives of cooperative development.

Outline other areas where government assistance could be made available without affecting the autonomy and independence of cooperatives.

Make clear government's commitment to offering infrastructure support to cooperatives.

Provide for collaboration(s) between government and cooperatives in areas that are of concern to the community.”

Not much progress seems to have taken place in formulating the cooperative policy for creation of an enabling environment for cooperatives to develop on stated lines - self-regulation, autonomy and independence. However, governments generally are seized of the need for evolving appropriate policy.

In **India**, the draft policy drawn has since been adopted in March 2002 by the Department of Agriculture and Cooperation of the Ministry of Agriculture. The Policy document covers the cooperative principles and also the spirit of cooperative values and identity. The role of the government in the policy is restricted to functions such as (a) conduct of timely elections; (b) audit; and (c) to protect and safeguard the interest of members and stake holders in cooperatives and not to interfere in the management of cooperatives. However, follow-up action for implementing the policy is lacking and monitoring mechanism is yet to gather momentum. A Ministerial Task Force constituted in April 2002 has formulated a “plan of action” for implementation of the national policy which, inter-alia, includes action plan and reforms for providing greater freedom and autonomy to cooperatives. A single liberalized law has been suggested where parallel laws exist in states. Other major reforms suggested by the task force are institutional and financial reforms. Favourable impact of the policy on cooperatives is not visible looking to their weakened strength and dormancy in several sectors of the economy. Policy of the government at the centre will have to be followed by the state governments though cooperation is a state subject under the constitution of India and cooperatives are governed by state laws.

In **Indonesia**, no specific policy for cooperatives exists. There is however a national cooperative strategy (as a part of government five year plan) which serves as guidelines for cooperative development. There is also National Cooperative Programmes. Reaction of the government is not available about its commitment to draw a specific policy for cooperatives.

In **Iran**, the constitution recognizes a national status for cooperatives. The principle 44 of the Iranian Constitutional Law stipulates that the national economy is based on 3 sectors, viz., Government, Cooperative and Private. There is however no specific government policy for cooperative development in the country. In sectoral policies, there are certain recommendations regarding cooperative development. There appears to be no immediate proposal for evolving a well-defined cooperative policy.

In **Israel**, neither there is any specific policy for cooperatives nor the government considers it necessary to evolve one since it follows free market economy. The State of Israel has a law on cooperative societies and is considering a new modern legislation based on experience and in consultation with the cooperative movement.

In **Kuwait**, no separate policy on cooperatives has been drawn. However, government is committed to cooperative development and provides all support and encouragement. Government work programme includes several aims concerning the development of cooperatives during the period 2003 to 2007.

Though the government does not feel it necessary to evolve any separate policy because of its total commitment to cooperatives as a matter of policy, it is not totally

averse to the idea of evolving an appropriate and favourable policy for cooperatives in the near future.

In **Malaysia**, the draft policy document has been drawn incorporating most of the elements / aspects stated in the resolution. It is a well meaning public policy on cooperatives defining clearly the objectives and stating pointedly the role expected to be played by the cooperatives / government for realising the objectives. The policy, inter-alia, covers the following aspects with the statement that “The cooperative sector is recognised as a catalyst, alongside the public and private sectors, in the nation’s economic development.”

- (i) Relationship with cooperative sector and the government.
- (ii) Short-term and long-term objectives.
- (iii) Implementation strategies (8 strategies)
- (iv) Financial support from government (including special allocation for cooperative development and education).
- (v) Education and Training (compulsory for elected members of the Board and Auditors)
- (vi) Business opportunities
- (vii) Legislation (with provision for review and updating of provisions that hinder but regulate cooperative governance such as the cooperative subsidiaries).
- (viii) Involvement of Women (for encouraging participation in cooperatives, training, etc.)
- (ix) Information and communication technology
- (x) Non-governmental organisations (NGOs) and tertiary cooperatives (mostly promotional through ANGKASA)
- (xi) Government Departments (services by the departments)
- (xii) Action, implementing agencies and time frame. (for effective implementation of the policy, a detailed plan of action is being drawn up whereby every strategy has streamlined activities, sub-activities and recommended actions by the relevant agencies).

The draft policy is expected to be adopted soon.

Follow-up and monitoring mechanism for ensuring implementation of the policy by concerned at all levels is also expected to be formalised in the form of National

Cooperative Consultative Council (MPKK) chaired by the Deputy Prime Minister and represented by concerned government departments and representatives from cooperative sector including ANGKASA - the apex body of cooperatives.

The policy is likely to generate favourable impact on the future development of cooperatives in Malaysia.

In **Nepal**, no specific policy on cooperative development has been evolved so far. However, influenced by the recommendations of the last ICA-ROAP sponsored Ministerial Conference held in 2002 in Nepal, the National Cooperative Development Board of Nepal, which is responsible for cooperatives, has initiated the process and the draft has since been drawn. The draft is likely to be approved by the HMG/N (Government) in the near future. Under this policy, the government is expected to support cooperatives in several ways including concession on taxes and development of human resources in the cooperatives. The government, as a matter of policy, will make cooperatives function in accordance with the cooperative values and principles, so that, cooperative identity could be preserved. More than anything, policy envisages withdrawal of government control on cooperatives which is so essential for their autonomy, independence and unhindered operations.

In **Philippines**, policies for cooperatives are embodied in Section 3 of Executive Order No.96. These policies cover -

- ◆ role of the State in cooperative development.
- ◆ affirmation of cooperatives as autonomous associations organized for the economic and social betterment of their members based on self-reliance and self-management.
- ◆ protection, preservation and strengthening of cooperative identity.

For implementation of the policies, Executive Order No.95, item 3, provides for establishment of Cooperative Development Councils at the national, regional, provincial and city levels.

Since government has specific policies for cooperatives, there is no proposal to adopt another separate policy.

In **Singapore**, policy on cooperative development is expected to be the role and responsibility of the apex body as the government function is regulatory. Government seems to have been impacted by ICA-ROAP Ministerial Conference recommendations in framing / adopting cooperative policy. The process for evolving such a policy is not evident.

In **Sri Lanka**, no favourable policy for cooperatives exists. The most important

policy document of the government “Regaining Sri Lanka” has nothing to say about cooperatives although it covers extensively other subjects. Under the structural adjustment programmes, even some of the existing institutions have been closed down including liquidation of Sri Lanka Institute of Cooperative Management in 2002. In 2003, the Ministry of Cooperatives appointed a Committee comprising of officials of the Ministry / Government Departments and Cooperators and the said Committee has drawn a “Report on Principles and Strategies for Development of the Cooperative Sector.” The report has become a subject for review of a Cabinet Sub-Committee.

In **Vietnam**, no policy for cooperatives exists. The government is proposing to revise and supplement the law on cooperatives for placing before the National Assembly. As a part of the revision, it is considering to supplement the policies on cooperatives. There are at present specific legal documents and policies on cooperatives.

3. RESOLUTION-2

“The participation of governments in the succeeding Co-operative Ministers’ Conference should be enlarged to include other ministries, such as finance, agriculture, trade, industry and social welfare.

There are advantages in ICA–ROAP hosting a separate conference by inviting Finance Ministers or at least senior officials from the Finance Ministry of different countries to discuss the issue of cooperative taxation in depth and arrive at an agreed set of recommendations in so far as taxation of cooperatives are concerned. Similarly, it will be important for ICA–ROAP to commission studies that could examine how different laws impact the functioning of cooperatives.”

The suggestion to enlarge participants of the successive Cooperative Ministers’ Conference by including other concerned ministries is yet to be put into practice by ICA-ROAP.

The other suggestion made in the Resolution for hosting a separate conference of Finance Ministers / senior officers from Ministry of Finance of different countries in the region for discussing and deciding on taxation of cooperatives is reportedly being examined for action, as it involves considerable preparations and funding arrangements.

Yet another suggestion in the recommendation for commissioning the studies for examining different laws and their impact on the functioning of cooperatives is also said to be under examination with possible sources of funding.

The field study and contents of this report indicate that in several countries of the region, not only there are more than one law, but even under a single law, various

ministries / departments of the Government are involved exercising regulatory functions over cooperatives. This is a real problem for cooperatives with duality and multiplicity of control over their operations and management.

4. RESOLUTION-3

“ICA-ROAP should initiate information and policy dialogue with multilateral international institutions like IMF, World Bank and ADB.”

The process of initiating information and policy dialogue with multilateral international institutions by ICA-ROAP is an on-going one. Perhaps initiative for policy dialogue should come from the parent body, i.e., ICA, since the issue concern cooperatives globally and not confined only to the Asia-Pacific Region represented by ICA-ROAP

Preparations by way of parameters for such a dialogue are necessary and therefore, a draft approach has been drawn which needs to be finalised with input from consultations at different levels. The suggested parameters are outlined separately in the report for consideration / reference.

ICA is found to be active with its continuing dialogue with UN and its specialized organizations like ILO and FAO for creating favourable opinion and policies towards cooperatives. Several programme of ILO and FAO are implemented involving cooperatives beneficial to their members and the community at large. Commitment of these organisations and their support is evident from UN Report of 2003 on the implementation of its resolution 56 / 114 on cooperatives in social development. It contains proposals to promote cooperative development and a supportive environment for the development of cooperatives.

As for FAO, a memorandum of understanding with ICA ensures its cooperation by consultation, exchange of information and coordination of efforts in the promotion of cooperative principles and methods. FAO has provided support and technical assistance in establishment of regional net-work for the development of agricultural cooperatives in Asia and Pacific. Recently, FAO has initiated a programme for strengthening of agricultural cooperative business competitiveness through computerisation.

Support of ILO to cooperatives and its involvement in the cooperative development activities on the initiatives of ICA are laudable. Such support has been consistent through the cooperative branch of ILO. Several technical cooperation activities have been undertaken by ILO in the areas of training (including training material) employment generation and poverty elevation. New Resolution No.193 adopted by ILO in 2002 will be a milestone for promotion of cooperatives. The main features of this Resolution are:- (a) recognition of importance of cooperatives in

economic and social development; (b) reaffirmation of cooperative identity; (c) definition of the government's role in creating a supportive policy and legal frame work and in facilitating access to support services and finance; (d) encouragement of international cooperation; and (e) promotion of social development and poverty elevation in rural areas through cooperative development. (ILO Resolution No.193 is incorporated in the Appendices of the report).

Looking to the similarity of some of the objectives and programmes of ICA and ILO / FAO, particularly for enabling cooperative legislation and in creating a supportive policy, advocacy efforts of ICA-ROAP will be considerably strengthened if such efforts are collaborated and action initiated jointly. Such joint endeavours may generate much better response at the levels of governments and multilateral international organisations.

Equally important is ICA / ICA-ROAP adopting a coordinated approach with other international cooperative organisations like IRU for initiating dialogue with multi-lateral international institutions like World Bank, IMF and ADB. This will have much better impact and response.

5. RESOLUTION-4

“Governments could work to achieve better and superior reforms in cooperative legislation using objective tools - to be developed by the ICA-ROAP - to measure progress towards an enabling legislative and policy environment for co-operatives in different countries using new and emerging concepts such as the ‘Proximity to ICIS’ index and the Grid Model.

ICA-ROAP should develop the ‘Proximity to ICIS’ index and the Grid Model through processes that could involve representatives from governments, cooperative movement and international organisations, examine whether the grid model can incorporate the idea of mapping cooperatives in a ‘cooperative corridor’ and factor the concept of social audit in cooperatives to assess overall performance of cooperatives.

In the second stage, ICA-ROAP’s development of the ‘Proximity to ICIS’ index and the Grid Model should be expanded over time through a larger consultative process so as to incorporate differing interests and position on the subject both within countries and across the region, including inter alia, the application of the Grid Model to a model piece of cooperative legislation and linking the Grid Model with the ‘Proximity to ICIS’ index to first measure the efficacy and ability of a cooperative to fulfill its objectives consistent with the ICIS.”

Action on this resolution to be initiated by ICA-ROAP for developing objective tools to measure the progress towards an enabling legislative and policy environment for cooperative in different countries using new concepts like ‘Proximity to ICIS’ index

and the Grid Model, may have to be a long-term strategy of the work plan considering certain constraints such as:

- (i) in most countries of the region, the process of reforms in cooperative legislation and drafting of public policy on cooperation on suggested lines is yet not complete and it might take some time for these reforms. Follow-up on this ought to be the priority on the work agenda of ICA-ROAP;
- (ii) developing the index to measure the progress in regard to enabling legislation and policy is of a complex nature involving specialists. The exercise is also going to be a lengthy one involving studies in various countries where conditions vary considerably;
- (iii) resource and manpower constraints of ICA-ROAP need to be addressed to apart from prioritizing its work programme and activities in relation to resources and feasibility.

While it is desirable and helpful to use objective tools for achieving higher and better level of reforms, by the governments and for measuring progress of reforms through such tools, developing such index based tools or models at this stage when the reforms process is yet to pick pace in most countries of the region, need not be a priority. Time is inappropriate for this exercise which can wait for some more time till reforms are effected and positive impact on development cooperatives is visible. Any index based evaluation of governments' performance in the area of reforms may cause more problems than it aims to achieve considering the complexity of conditions prevailing in countries and wide variations in the development of cooperatives and in government policies. Available resources and energy of ICA-ROAP are better used for more objective purposes of development of cooperatives and related reforms which will articulate cooperative values and principles in operations and management of cooperatives on sound basis. It is important to prioritise the short-term and long-term work programme in relation to needs and resources.

Implementation of the suggestion in the resolution has to be viewed from the above constraints, limitations and necessities, though needs to be pursued as a long-term strategy.

6. RESOLUTION-5

“The Kathmandu declaration to which all participating governments of member countries have affixed their hand is symbolic of the importance and commitment of governments to the above resolutions and it is in this spirit that governments of Asia and the Pacific would strive to establish relevant legislation and policy for cooperatives in the new millennium.”

This resolution in which governments of the Asia-Pacific Region have committed to establish enabling legislation and policy for cooperatives in the new millennium, is the spirit of the Kathmandu declaration and meant to be attended to by the respective governments of the region. The status in regard to the cooperative policy adaptation is indicated in the report on Resolution No.1. The status on adaptation of enabling legislation in different countries of the region is out-lined below:

No new law has been enacted or major amendments made in the existing laws in the 5 countries studied by the consultant. The existing laws have no major impediments for the autonomy, independence, democratic management and self-reliance of cooperatives though cooperatives are not totally free of government control. Some changes in the law are found necessary in all the laws of **Kuwait, Malaysia, Bangladesh** and **Japan** as opined by cooperative leadership. In the absence of any law for cooperatives in **China**, a beginning is being made to make laws, particularly for rural cooperatives (supply and marketing cooperatives) at the provincial level. At least in 4 provinces, this process is in an advance stage. The national law for cooperatives is expected to be legislated by the National People's Congress only sometime in 2006 as per plans and work agenda (More details in study reports).

In **India**, as per constitution, "Cooperation" is a state subject and only multi-state cooperative societies and national federations come under the purview of the central government. Enactment of Multi-State Cooperative Societies Act-2002 by repealing the earlier Act of 1984 is a step in the right direction to facilitate voluntary formation of cooperatives, democratic functioning of cooperatives and to provide them functional autonomy and freedom. This liberal Act takes away all restrictive provisions of the earlier act, and to a great extent, control of the central registrar and his powers are reduced. The Act however has little impact on cooperative development in the country as cooperatives are governed by the laws of the states, which are still restrictive with scope for control and interference of the government exercised mostly through the RCS and the cooperative department.

Government of India is pursuing the matter with the State Governments emphasizing on the need to promote development of cooperatives free from all government controls. A model Act has also been proposed. Though there is progress in this regard with some states enacting parallel laws known as Mutually Aided Cooperative Societies Act and Self-supporting / Self-reliant Cooperative Societies Act. They are liberal and progressive laws taking away several controlling functions and powers of the RCS. In some states, the existing laws have been amended in the direction of making cooperatives autonomous member-driven organisations. Even after almost 10 years of advocacy, there are many states which are still thinking and examining the needs for changes in the law.

Generally speaking, more than the political leadership, it is the bureaucracy

which is hesitant to give up powers enjoyed so far. The argument is that left to themselves, cooperatives will mis-manage and since government has a stake in the cooperatives, it becomes necessary to retain powers and exercise control on cooperatives whenever necessary. It is a question of changing the mind-set of the bureaucracy and their perceived opinion about cooperatives and more so its leadership.

In **Iran**, principles 44 and 43 of the constitutional law define cooperative sector as one of three national sectors. Cooperative values and principles have been directly or indirectly covered in various articles of cooperative law. The Iranian Chamber of Cooperative (ICC) is currently assessing the needs of cooperatives for reforms in law. Changes in law are necessary in several matters though the government is not exerting any excessive powers over cooperatives. Weakness of the cooperatives is due to other factors like poor resources, inactive participation of members and lack of qualitative manpower and professionalism.

In **Israel**, provisions in the laws are fairly adequate to preserve and strengthen the cooperative identity. However, the process of enacting a modern legislation based on experiences and in consultation with the movement is in an advanced stage.

In **Nepal**, though there is no specific constitutional provision for cooperatives, certain articles like on Directive Principles and Policies of the State, there are clear indications for a self-reliant and independent income system and for prevention of economic exploitation. Cooperatives can fit-in in this context. Cooperative values and principles are not specifically incorporated in the law, but both values and principles are integrated into various clauses of 1992 law and rules of 1993. The reforms in cooperative legislation is in draft stage and remain to be carried out.

In **Philippines**, there are specific constitutional provisions relating to cooperatives in several articles, the most important being Article-XII (section 15) which says "the Congress shall create agency to promote the viability and growth of cooperatives as instruments for social justice and economic development." There are no restrictive provisions or controlling powers in the law. The law contains only the ICA principle of 1966 and not the new principles. To preserve the cooperative identity and for promotion of development of cooperatives in accordance with new values and principles, a new draft law has been drawn and pending consideration of the Parliament. This law is expected to meet the emerging challenges and in line with the political reforms.

In **Singapore**, though there is no provision in constitution for cooperatives, the existing law is found to be adequate to protect the cooperative identity, values and principles. There are no initiatives for any reforms in the legislation.

In **Sri Lanka**, under schedule No.9 of the constitution, there is reference to

cooperatives. In the Cooperative Act No.5 of 1972 provisions are not adequate as to the cooperative identity, values and principles. Reforms are necessary not only in regard to these areas, but also on other matters including modifications in various restrictive provisions of the law.

In **Vietnam**, articles 15, 16 and 20 of the constitution directly relate to cooperatives. Provisions in the law reflect the values and principles of cooperation and are found to be adequate. Cooperatives suffer not for want of these values and principles in the law, but for other reasons related to their operations and management. Cooperatives need reforms in law concerning business registration procedure which is found to be cumbersome and time consuming.

ILO RECOMMENDATION NO.193 ON PROMOTION OF COOPERATIVES

The General Conference of the International Labour Organization,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its 90th Session on 3 June 2002, and

Recognizing the importance of cooperatives in job creation, mobilizing resources, generating investment and their contribution to the economy, and

Recognizing that cooperatives in their various forms promote the fullest participation in the economic and social development of all people, and

Recognizing that globalization has created new and different pressures, problems, challenges and opportunities for cooperatives, and that stronger forms of human solidarity at national and international levels are required to facilitate a more equitable distribution of the benefits of globalization, and

Noting the ILO Declaration on Fundamental Principles and Rights at Work, adopted by the International Labour Conference at its 86th Session (1998), and

Noting the rights and principles embodied in international labour Conventions and Recommendations, in particular the Forced Labour Convention, 1930; the Freedom of Association and Protection of the Right to Organise Convention, 1948; the Right to Organise and Collective Bargaining Convention, 1949; the Equal Remuneration Convention, 1951; the Social Security (Minimum Standards) Convention, 1952; the Abolition of Forced Labour Convention, 1957; the Discrimination (Employment and Occupation) Convention, 1958; the Employment Policy Convention, 1964; the Minimum Age Convention, 1973; the Rural Workers' Organisations Convention and Recommendation, 1975; the Human Resources Development Convention and Recommendation, 1975; the Employment Policy (Supplementary Provisions) Recommendation, 1984; the Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998; and the Worst Forms of Child Labour Convention, 1999, and

Recalling the principle embodied in the Declaration of Philadelphia that "labour is not a commodity", and

Recalling that the realization of decent work for workers everywhere is a primary objective of the International Labour Organization, and

Having decided upon the adoption of certain proposals with regard to the promotion of cooperatives, which is the fourth item on the agenda of the session, and

Having determined that these proposals shall take the form of a Recommendation;

Adopts this twentieth day of June of the year two thousand and two the following Recommendation, which may be cited as the Promotion of Cooperatives Recommendation, 2002.

I. SCOPE, DEFINITION AND OBJECTIVES

1. It is recognized that cooperatives operate in all sectors of the economy. This Recommendation applies to all types and forms of cooperatives.
2. For the purposes of this Recommendation, the term “cooperative” means 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. The promotion and strengthening of the identity of cooperatives should be encouraged on the basis of:
 - (a) cooperative values of self-help, self-responsibility, democracy, equality, equity and solidarity; as well as ethical values of honesty, openness, social responsibility and caring for others; and
 - (b) cooperative principles as developed by the international cooperative movement and as referred to in the Annex hereto. These principles 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.
4. Measures should be adopted to promote the potential of cooperatives in all countries, irrespective of their level of development, in order to assist them and their membership to:
 - (a) create and develop income-generating activities and sustainable decent employment;
 - (b) develop human resource capacities and knowledge of the values, advantages and benefits of the cooperative movement through education and training;
 - (c) develop their business potential, including entrepreneurial and managerial capacities;
 - (d) strengthen their competitiveness as well as gain access to markets and to institutional finance;

- (e) increase savings and investment;
 - (f) improve social and economic well-being, taking into account the need to eliminate all forms of discrimination;
 - (g) contribute to sustainable human development; and
 - (h) establish and expand a viable and dynamic distinctive sector of the economy, which includes cooperatives, that responds to the social and economic needs of the community.
5. The adoption of special measures should be encouraged to enable cooperatives, as enterprises and organizations inspired by solidarity, to respond to their members' needs and the needs of society, including those of disadvantaged groups in order to achieve their social inclusion.

II. POLICY FRAMEWORK AND ROLE OF GOVERNMENTS

6. A balanced society necessitates the existence of strong public and private sectors, as well as a strong cooperative, mutual and the other social and non-governmental sector. It is in this context that Governments should provide a supportive policy and legal framework consistent with the nature and function of cooperatives and guided by the cooperative values and principles set out in Paragraph 3, which would:
- (a) establish an institutional framework with the purpose of allowing for the registration of cooperatives in as rapid, simple, affordable and efficient a manner as possible;
 - (b) promote policies aimed at allowing the creation of appropriate reserves, part of which at least could be indivisible, and solidarity funds within cooperatives;
 - (c) provide for the adoption of measures for the oversight of cooperatives, on terms appropriate to their nature and functions, which respect their autonomy, and are in accordance with national law and practice, and which are no less favourable than those applicable to other forms of enterprise and social organization;
 - (d) facilitate the membership of cooperatives in cooperative structures responding to the needs of cooperative members; and
 - (e) encourage the development of cooperatives as autonomous and self-managed enterprises, particularly in areas where cooperatives have an important role to play or provide services that are not otherwise provided.

7. (1) The promotion of cooperatives guided by the values and principles set out in Paragraph 3 should be considered as one of the pillars of national and international economic and social development.

(2) Cooperatives should be treated in accordance with national law and practice and on terms no less favourable than those accorded to other forms of enterprise and social organization. Governments should introduce support measures, where appropriate, for the activities of cooperatives that meet specific social and public policy outcomes, such as employment promotion or the development of activities benefiting disadvantaged groups or regions. Such measures could include, among others and in so far as possible, tax benefits, loans, grants, access to public works programmes, and special procurement provisions.

(3) Special consideration should be given to increasing women's participation in the cooperative movement at all levels, particularly at management and leadership levels.
8. (1) National policies should notably:
 - (a) promote the ILO fundamental labour standards and the ILO Declaration on Fundamental Principles and Rights at Work, for all workers in cooperatives without distinction whatsoever;
 - (b) ensure that cooperatives are not set up for, or used for, non-compliance with labour law or used to establish disguised employment relationships, and combat pseudo cooperatives violating workers' rights, by ensuring that labour legislation is applied in all enterprises;
 - (c) promote gender equality in cooperatives and in their work;
 - (d) promote measures to ensure that best labour practices are followed in cooperatives, including access to relevant information;
 - (e) develop the technical and vocational skills, entrepreneurial and managerial abilities, knowledge of business potential, and general economic and social policy skills, of members, workers and managers, and improve their access to information and communication technologies;
 - (f) promote education and training in cooperative principles and practices, at all appropriate levels of the national education and training systems, and in the wider society;
 - (g) promote the adoption of measures that provide for safety and health in the workplace;
 - (h) provide for training and other forms of assistance to improve the level

of productivity and competitiveness of cooperatives and the quality of goods and services they produce;

- (i) facilitate access of cooperatives to credit;
- (j) facilitate access of cooperatives to markets;
- (k) promote the dissemination of information on cooperatives; and
- (l) seek to improve national statistics on cooperatives with a view to the formulation and implementation of development policies.

(2) Such policies should:

- (a) decentralize to the regional and local levels, where appropriate, the formulation and implementation of policies and regulations regarding cooperatives;
- (b) define legal obligations of cooperatives in areas such as registration, financial and social audits, and the obtaining of licences; and
- (c) promote best practice on corporate governance in cooperatives.

9. Governments should promote the important role of cooperatives in transforming what are often marginal survival activities (sometimes referred to as the “informal economy”) into legally protected work, fully integrated into mainstream economic life.

III. IMPLEMENTATION OF PUBLIC POLICIES FOR THE PROMOTION OF COOPERATIVES

10. (1) Member States should adopt specific legislation and regulations on cooperatives, which are guided by the cooperative values and principles set out in Paragraph 3, and revise such legislation and regulations when appropriate.

(2) Governments should consult cooperative organizations, as well as the employers’ and workers’ organizations concerned, in the formulation and revision of legislation, policies and regulations applicable to cooperatives.

11. (1) Governments should facilitate access of cooperatives to support services in order to strengthen them, their business viability and their capacity to create employment and income.

(2) These services should include, wherever possible:

- (a) human resource development programmes;
- (b) research and management consultancy services;
- (c) access to finance and investment;

- (d) accountancy and audit services;
- (e) management information services;
- (f) information and public relations services;
- (g) consultancy services on technology and innovation;
- (h) legal and taxation services;
- (i) support services for marketing; and
- (j) other support services where appropriate.

(3) Governments should facilitate the establishment of these support services. Cooperatives and their organizations should be encouraged to participate in the organization and management of these services and, wherever feasible and appropriate, to finance them.

(4) Governments should recognize the role of cooperatives and their organizations by developing appropriate instruments aimed at creating and strengthening cooperatives at national and local levels.

12. Governments should, where appropriate, adopt measures to facilitate the access of cooperatives to investment finance and credit. Such measures should notably:
- (a) allow loans and other financial facilities to be offered;
 - (b) simplify administrative procedures, remedy any inadequate level of cooperative assets, and reduce the cost of loan transactions;
 - (c) facilitate an autonomous system of finance for cooperatives, including savings and credit, banking and insurance cooperatives; and
 - (d) include special provisions for disadvantaged groups.

13. For the promotion of the cooperative movement, governments should encourage conditions favouring the development of technical, commercial and financial linkages among all forms of cooperatives so as to facilitate an exchange of experience and the sharing of risks and benefits.

IV. ROLE OF EMPLOYERS' AND WORKERS' ORGANIZATIONS AND COOPERATIVE ORGANIZATIONS, AND RELATIONSHIPS BETWEEN THEM

14. Employers' and workers' organizations, recognizing the significance of cooperatives for the attainment of sustainable development goals, should seek, together with cooperative organizations, ways and means of cooperative promotion.

15. Employers' organizations should consider, where appropriate, the extension of membership to cooperatives wishing to join them and provide appropriate support services on the same terms and conditions applying to other members.
16. Workers' organizations should be encouraged to:
 - (a) advise and assist workers in cooperatives to join workers' organizations;
 - (b) assist their members to establish cooperatives, including with the aim of facilitating access to basic goods and services;
 - (c) participate in committees and working groups at the local, national and international levels that consider economic and social issues having an impact on cooperatives;
 - (d) assist and participate in the setting up of new cooperatives with a view to the creation or maintenance of employment, including in cases of proposed closures of enterprises;
 - (e) assist and participate in programmes for cooperatives aimed at improving their productivity;
 - (f) promote equality of opportunity in cooperatives;
 - (g) promote the exercise of the rights of worker-members of cooperatives; and
 - (h) undertake any other activities for the promotion of cooperatives, including education and training.
17. Cooperatives and organizations representing them should be encouraged to:
 - (a) establish an active relationship with employers' and workers' organizations and concerned governmental and non-governmental agencies with a view to creating a favourable climate for the development of cooperatives;
 - (b) manage their own support services and contribute to their financing;
 - (c) provide commercial and financial services to affiliated cooperatives;
 - (d) invest in, and further, human resource development of their members, workers and managers;
 - (e) further the development of and affiliation with national and international cooperative organizations;

- (f) represent the national cooperative movement at the international level; and
- (g) undertake any other activities for the promotion of cooperatives.

V. INTERNATIONAL COOPERATION

18. International cooperation should be facilitated through:

- (a) exchanging information on policies and programmes that have proved to be effective in employment creation and income generation for members of cooperatives;
- (b) encouraging and promoting relationships between national and international bodies and institutions involved in the development of cooperatives in order to permit:
 - ◆ the exchange of personnel and ideas, of educational and training materials, methodologies and reference materials;
 - ◆ the compilation and utilization of research material and other data on cooperatives and their development;
 - ◆ the establishment of alliances and international partnerships between cooperatives;
 - ◆ the promotion and protection of cooperative values and principles; and
 - ◆ the establishment of commercial relations between cooperatives;
- (c) access of cooperatives to national and international data, such as market information, legislation, training methods and techniques, technology and product standards; and
- (d) developing, where it is warranted and possible, and in consultation with cooperatives, employers' and workers' organizations concerned, common regional and international guidelines and legislation to support cooperatives.

VI. FINAL PROVISION

19. The present Recommendation revises and replaces the Co-operatives (Developing Countries) Recommendation, 1966.

CO-OPERATIVE DEVELOPMENT - MAJOR ISSUES OF CONCERN

Reforms in Co-operative Legislation and a Public Policy of the national governments are basically meant for promotion of co-operatives and for ensuring their all-round development as member-based and member-driven autonomous organizations. Co-operatives are required to maintain their distinct identity in the economy and adhere to the universally accepted values and principles adopted by the International Co-operative Alliance(ICA). To realise these objectives, through the joint endeavour of the government and the co-operatives, certain areas of concern which need to be focused and attended to are highlighted below:

1. MECHANISM FOR POLICY IMPLEMENTATION

A conducive co-operative friendly legislation and well intended government policy will in itself means nothing unless individuals took initiative to organize and manage the co-operatives taking advantages of the law and the policy intended for them. Government too has a role to play. It is observed that policy has remained on paper without endeavour to implement it. To translate the policy into result oriented action, appropriate institutional mechanism is important represented by both the concerned government departments and co-operatives. The task is to review and monitor the implementation of the policy which is found to be ineffective if not lacking.

2. PROFESSIONALISATION OF MANAGEMENT

A major shortcoming observed in several developing countries in the Asia-Pacific Region is the lack of professionalism in the management of the co-operatives. In a changed global economic scenario and reforms measures initiated by the national governments in all the major sectors of the economy, co-operatives are facing the competition and challenges to their very existence both from the reformed public sector organizations and professionally managed and efficiently run private sector enterprises. Co-operatives are found no match to this challenge as they continue to do their traditional business activities without cost effectiveness and efficiency mainly due to non-professional management, faulty policies and out dated management practices. Therefore, it is of utmost importance to professionalize the management at all levels. Unfortunately, professionalisation of co-operative management is talked about but hardly practiced.

3. MANPOWER PLANNING AND DEVELOPMENT STRATEGIES

Another related area is absence of appropriate manpower planning and development strategy in several co-operatives. Such a plan and strategy should

necessarily cover members, elected representatives of boards and paid employees of co-operatives at all levels. Training arrangements are found to be grossly inadequate in some countries and where exist adequately, not being used properly for one or the other reason. Deputing ill-suited persons to unsuited programmes is not uncommon. Co-operatives do not give importance for manpower development through education and training. No adequate budgetary provision is made. Training infrastructure is underutilized due to lack of response from co-operatives. It is observed that co-operatives are indifferent to the institutions run by the government. It may be desirable in such cases to transfer the training responsibilities to Apex Federations / Unions or to an authority where co-operatives are adequately represented. Some action is called for to ensure adequacy of funding arrangements, to strengthen the training infrastructure and to ensure proper utilization of the training capacity and to streamline the managements of these institutions.

4. BUSINESS PLANNING AND DEVELOPMENT

Corporate planning in private and public sector enterprises or perspective planning system adopted by them for a given time frame, is not found in most co-operatives in the developing countries of the region. The approach to business is unplanned without set targets, goals and objectives. The system of business planning in co-operatives has to be a part of development strategy. Such a perspective plan should aim at business volume and growth consistent with scope and potential, product development and marketing, business promotion, resource augmentation and management, manpower planning and development in relation to business, profit planning, inventory management, objectives to be realised, goals to be achieved, etc. Financial management, budgeting including cash budgeting, inventory control are some of the related areas of business development planning. Higher tier co-operatives like unions and federations could play an important role to introduce the concept of business planning for co-operatives at all levels by means of guidelines, models and training.

5. IMPLEMENTATION OF GOVERNMENT SPONSORED PROGRAMMES

It is not uncommon for governments to implement their socio-economic policies and programmes aimed at certain target groups of farmers, agricultural labourers, people below the poverty line, etc. making use of the available net-work of co-operatives particularly in the rural sector. Quite often, without the consent or willingness, co-operatives are called upon and even compelled to implement such programmes which may be a non-viable operation and drain on the meagre set-up and resources of the co-operatives. While the objective of such programme is laudable, its implementation cannot be at the cost of autonomy and viability of the co-operatives. Government should take into account the capability, suitability and viability of the co-operatives

before making use of them for agency services or as government service providers. Willingness of the co-operatives to shoulder the additional responsibility when it is not a mainstream activity and financial viability of the operation should be the criteria for implementing the government's socio-economic programmes. There are several examples of co-operatives having suffered losses by implementing the government sponsored programmes.

6. GOVERNMENT SUPPORT AND ITS IMPLICATIONS

Government support - financial or otherwise - to co-operatives need not be viewed as a favour, but as an essential component of government policy for realising certain objectives particularly when co-operatives can contribute a lot to the socio-economic development of the country. Co-operatives provide certain essential services to the people quite often in the absence of alternative institutional arrangements like rural credit, supply of farm inputs, marketing of agricultural produce and agro-processing for value addition. Support provided by way of concessional loans, guarantees to borrowings, provision of infrastructure, administrative or managerial subsidy, tax concessions and even subscription towards equity as a matter of government policy should not be the excuse for exercising undue control over co-operatives or for governmental interference in the management. Benefits of most of the support provided by the government go to the members and not necessarily to the co-operatives. There is need to insulate the co-operatives from excessive control of the Registrar of Co-operative Societies(RCS) or concerned departments of the government as also from undue interference of the government in the management of the co-operatives.

7. COOPERATION AMONG CO-OPERATIVES

Cooperation among co-operatives, an important co-operative principle remains to be practiced effectively. Co-operatives are seen working in total isolation. Networking between co-operatives at different tiers of the structure is also lacking in several sectors. In some countries of the region, absence of a national apex of co-operatives is an important structural for national spokesmanship and for international cooperation. Co-operatives have suffered, if not on account of disunity, due to lack of cooperation among themselves. They are also seen competing among themselves to their disadvantage, though healthy competition may be desirable for improving the services and efficiency. A few examples are: marketing co-operatives and consumer co-operatives undertaking similar business functions, credit co-operatives in a multi-agency set-up duplicating their efforts with overlapping functions in some countries, banking co-operatives not providing credit and banking services to co-operatives on preferential basis, marketing / processing co-operatives not agreeing to link credit with marketing and co-operatives not according favoured treatment to insurance co-operatives in regard to insurance business. It is essential that, in the overall interest of the co-operative movement, cooperation among co-operatives is practiced more effectively to their mutual advantage.

8. CAPITALISATION

Inadequate financial base - equity and reserves - is a serious problem and constraint for small co-operatives for growth of business volume and for development through diversification. Co-operatives would do well without government partnership in equity as such support is bound to attract conditions, regulations, excessive control and interference in the management as seen in several countries particularly in the credit and banking sector. Equity necessarily has to come from members, who are generally poor when it comes to rural co-operatives. Co-operatives are neither able to give adequate returns on equity because of inadequate profits or due to adhering to the principle of limited returns on capital (which finds a mention in several co-operative legislations by way of ceiling on dividend) nor able to ensure addition to share-holders' value as equity is not a tradable stock in the market. Principle of one member one vote is also to be observed. Augmenting equity has reached a crisis point in banking, insurance and other financial co-operatives because of application of prudential norms by the central banks. They would find it extremely difficult to maintain the capital adequacy ratio in relation to risk weighted assets. Capitalisation of co-operatives without sacrificing the principles is a major problem and calls for serious deliberations as also innovations.

Apart from inadequate resources for lending which affected the credit related operations, co-operatives also faced the problem of liquidity and working capital so essential for their uninterrupted business operations. Poor image and credibility of co-operative banking and credit sector is one major factor for poor resource base of these institutions. A strong national level co-operative banking institution is a necessity for solving some of the financial problems of the co-operatives. They do not exist in many countries; and if they do exist, they are not strong enough to provide the needed services.

9. REVITALISATION

Sickness in co-operatives in some of the countries in the region is rising for a variety of reasons. While co-operatives themselves have to be blamed for their failure to live upto the expectations, external factors like liberalised economic policies, globalisation of economy, aggressive entry of private sector and competitive conditions emerging in the market, government policies and political factors have also contributed to a great extent in weakening the co-operatives. While some are sick; some others are dormant. No concrete plan of action for revitalizing and rehabilitating these sick co-operatives has been drawn in these countries. While some of these sick / dormant co-operatives may not have future and may be beyond redemption, at least those which could be revived or those potentially viable co-operatives need support from government and other federal sectoral organizations for revitalization. Any action plan and monitoring mechanism should be sector / institution specific after detailed examination of sickness and its causes.

10. INTER-DEPARTMENTAL COORDINATION

Co-operatives are regulated and controlled not only by the RCS/ co-operative department as in most countries, but also by other ministries of the central / provisional governments and in certain cases like banking and credit co-operatives, by some of the national development finance institutions including the central bank. Such multiplicity of control by the government is seen in most countries of the Asia-Pacific region. For example, fisheries co-operatives are regulated not only by the co-operative department but also by the fisheries department, agricultural co-operatives by agricultural department and banking co-operatives by the finance department / central bank. This duplicity / multiplicity of control is a problem and an area of conflict affecting the smooth operations of the co-operatives. While this may be unavoidable and even desirable from the view point of the government, its adverse impact on the operations and management of the co-operatives should be minimized by appropriate coordinating mechanism. Inter-ministerial coordination at the government level is desirable besides drawing clear cut functional demarcation between the concerned government ministries / departments.

11. INSTITUTION PROTECTION MECHANISM

Co-operatives, like any other business enterprise are vulnerable to unforeseen business risks, calamities, changes in government policies, business exigencies, impact of economic reforms processes, economics of scale, etc. They are ill-equipped to deal with situation on their own strength. Globally, a process of amalgamation and restructuring is seen in all major sectors like banking and credit, marketing, consumer trade and agriculture. This process in co-operatives is hampered also due to funds constraints. Infusion of additional capital and funds becomes a necessity for strengthening the amalgamated set-up and for viability. There are examples of co-operatives meeting such needs through institution protection system / fund either on their strength or in partnership with the government. Creation of a fund for the purpose jointly by the co-operatives and government with contributions coming in certain proportion could be a solution for protecting the co-operatives from risks and uncertainties. Constitution of such a sectoral fund at the national level / provincial level and its augmentation, utilization and administration may be worked out and regulations drawn as a matter of policy for protection of co-operatives. Such a mechanism is presently absent in most countries of the region.

12. TECHNOLOGY - APPLICATION AND UPGRADATION

The process of modernization of co-operative management and business operations through adoption of appropriate information and communication technologies aimed at improving the systems and procedures as also for efficiency of services is found to be slow in the developing countries of the region. As a consequence, they are rendered not only less efficient but also less effective as service providers to

the members and other clientele. This is particularly so in the credit and banking co-operatives and in consumer related co-operatives. Prompt management decisions, so vital for financial transactions and profitability, are greatly hampered due to the slow process of computerization and net-working. Lack of professional guidance, delay in decision making due to deficiency in knowledge and risk taking ability of the management, inability to provide for the capital costs constrained by poor financial position and above all, shortcomings in the initiative and motivation on the part of the federal organizations in the tier structure are some of the major aspects of the problem. Capacity building of co-operatives technologically for competitiveness in a competitive market is painstakingly slow. This has impacted adversely competitiveness and efficiency. Government and apex institutions including development finance institutions, who have a stake in the co-operatives and are responsible for ensuring their development as vehicles of socio-economic change, could play a supportive role for modernisation of managements technologically.

ACTION POINT

To effectively tackle the above areas of concern - which invariably are the causes of weakness or dormancy in the co-operatives hindering their development and business operations, joint endeavour of the government and the movement is inevitable. To a great extent, they have a bearing on the legislation, rules and policies of the government apart from what co-operative managements can do on their own through effective management policies. After all, reforms in co-operative legislation and government policies are meant to facilitate unhindered healthy development of co-operatives, looking to their potential for contributing to the well-being of the people economically and for ensuring the growth of country's socio-economic conditions. Co-operatives, from experience, are found to be ideally suited as instruments of change for realizing these objectives. Any government support or helpful intervention by suitably modifying the legislation or rules governing the operations of co-operatives in tackling the above areas of concern should be viewed as legitimate government responsibility. Further, some of these concern areas could also find appropriate place in government policies for implementable action by concerned. Ignoring these problems and areas of concern would only mean ignoring the realities.

APPROACH FOR DIALOGUE WITH MULTILATERAL INTERNATIONAL INSTITUTIONS

In the context of observation that multilateral international institutions' opinion, policies and programmes affect co-operatives in one way or the other, it was recommended that ICA-ROAP should initiate information and policy dialogue with such institutions like IMF, World Bank and ADB (6th Asia-Pacific Co-operative Ministers' Conference). While ICA-ROAP is in the process of initiating action for such a policy dialogue, the following observations are made for reference and for determining the precise nature of such a dialogue.

A. It is a fact that but for the International Labour Organisation (ILO) and Food and Agriculture Organisation (FAO) which have shown keen interest in the co-operative form of business enterprises which are member-based, other organisations and multilateral institutions like World Bank, IMF and ARDB have not shown much interest in the business operations of the co-operatives or in their social development and promotional activities in regard to ideology, education, training etc. Their contribution in the economic and social sectors remains to be recognised by these multilateral organisations. United Nations is favourably disposed towards co-operatives as they promote social development. A report of 2003 drawn on social development covers proposals to promote co-operative development and supportive environment for the development of co-operatives. This is the most significant development for global recognition of co-operatives which cannot go unrecognised by national governments for facilitating development of co-operatives legislatively with policy support looking to their potential for socio-economic development of the society including poverty elevation, employment generation and enhancement of social integration.

B. There are several international co-operative organisations, the most important and the oldest being the International Co-operative Alliance (ICA) which has global representation encompassing almost every sector of the economy. Other international co-operative organisations like International Raiffeisen Union (IRU), Committee for the Promotion of Co-operatives (COPAC) World Council of Credit Unions (WOCCU) and International Co-operative and Mutual Insurance Federation (ICMIF) are also active in their specific field of co-operative activity including co-operative advocacy.

The dialogue with multilateral institutions may cover, initially, the following organisations:

- (a) United Nations' Organisation (UNO).
- (b) World Bank.
- (c) International Monetary Fund (IMF).

- (d) International Labour Organisation (ILO).
- (e) Food and Agriculture Organisation (FAO).
- (f) World Health Organisation (WHO).
- (g) Asian Development Bank (ADB).
- (h) Economic and Social commission for Asia and the Pacific (ESCAP).

C. The specific areas for information and policy dialogue with the above international organisations may broadly cover:

- (i) Identifying areas for possible collaboration
- (ii) Policies towards co-operatives
- (iii) Funding possibilities by way of normal loans, concessional loans and grants.
- (iv) Support for revolving fund for developmental activities of co-operatives.
- (v) Technology upgradation including computerisation in co-operatives.
- (vi) Supportive measures and assistance in the sphere of training and education for members, elected representatives of the management and personnel employed in co-operatives. Possibilities to cover government personnel of respective departments responsible to co-operatives and/or engaged in development of co-operatives.
- (vii) Support for NGOs and self-help Groups engaged in micro-financing which are closely linked with co-operatives.
- (viii) Support to and involvement of co-operatives in the areas of community development and social welfare.
- (ix) Involvement of co-operatives in implementing poverty elevation programmes through credit, supply of essential commodities and other services.
- (x) Relief measures under natural calamities through co-operatives beneficial to their members.
- (xi) The projects and programmes aimed at employment generation and income augmentation.
- (xii) Social development programmes.
- (xiii) Vocational training and entrepreneurship development programmes for self employment.
- (xiv) Projects to support artisans, handicraft development and marketing, handloom and other rural economic developmental activities particularly covering agricultural labourers and small and marginal farmers for augmenting income.

- (xv) Health care services both in rural and urban sectors for the members of co-operatives and poorer sections of the society.
- (xvi) Programmes for awareness in personal hygiene, sanitation, ecology, prevention of pollution and environmental degradation.
- (xvii) Programmes for “learning through experiences” and “good practices”.
- (xviii) Implementation of programmes through the network of co-operatives in the area of family planning and in adoption of small family norms in poor and developing countries with high rate of population growth, which is a major constraint for economic development.
- (xix) Implementation of projects through co-operatives related to their business activities like plant protection, soil conservation, water management, rain water harvesting, forestry including social forestry, waste land development, micro watershed development, veterinary services, transfer of appropriate technology, farm guidance and extension services.
- (xx) Empowerment of women and their involvement in co-operatives.

D. The above areas are just indicative and not exhaustive. There may be projects / programmes of multilateral institutions in the above areas which are implemented mainly through governmental agencies and/or other non-governmental organisations. Involvement of co-operatives in implementing such programmes would have advantages and better impact considering their widespread network, experience in the field, closeness to people, large manpower and cost effective operations. Further, co-operatives are democratic and autonomous institutions with a large membership base and clientele and thus are better placed to implement the programmes with much better results and impact.

E. Dialogue with multilateral institutions should focus on the possible outcome of any collaborative arrangement with co-operatives which will have beneficial effects on their members besides deriving mutual advantages both to the co-operatives and to the multilateral institutions - as to their objectives. Any dialogue between ICA and multilateral institutions should be at the highest level of decision makers in order to be purposeful and result oriented.

F. Associating other international co-operative organisations in such a dialogue and also organisations like ILO/FAO which are favourably disposed towards co-operatives and have already spelt out their policies, will have a greater impact.

FIELD STUDY REPORTS

KUWAIT

1. BACKGROUND

1.1 Over the years, Kuwait has turned into a highly industrialized and modern state. The discovery of oil in 1938 created tremendous opportunities of economic growth and prosperity. The country with 17818 sq.km is today an important business and trade centre as also is of great tourist attraction with its 290 km. coastline of which 3/4 is sand. The capital, Kuwait city, which dates back to 1760, is a modern city with excellent roads, gardens and parks, luxury hotels, high-rise office buildings, numerous shopping complexes and recreation centres.

1.2 Kuwait, in the Gulf, unlike many other countries, is practicing democracy with its elected Parliament. Elections are held every four years to constitute the Majlis-al-Umma (National Assembly).

2. ECONOMY

2.1 Kuwait's economy is oil accounting for almost 10% of world's oil reserves. While oil and other petroleum products, fertilizers, etc. and exported all over the world, it has to depend totally on imports for all food items. Agriculture is almost non-existent because of desert environment. The State imports most other items of necessities like construction material, vehicles and clothing. While government employs almost 98% of the Kuwaiti nationals, private sector depends solely on expatriate nationals who outnumber local population. Various steps have been initiated by the government keeping pace with the global trend to liberalise the economy and attract foreign investment. For example, in Kuwait, free trade zone in Shuwaikh, foreigners are allowed to own 100% of the company they establish unlike in other business where Kuwaiti partner needs to own 51% of the company. Good port facilities, most modern airport and excellent other infrastructure facilities have greatly contributed to the growth of the economy.

3. CO-OPERATIVES

3.1 In Kuwait, consumer co-operatives are the backbone of the co-operative movement. Though earliest attempts to organize consumer co-operatives dates back to 1941, its real beginning in an organised form took place by the enactment of law No.12 in 1962. This law provided for establishment of co-operatives, membership, management, supervision, dissolution and liquidation. Consumer co-operative societies' activities have grown substantially and 47 societies serve the people throughout the country. Their strength can be gauged from the fact that co-operatives account for almost 85% of the market share of retail trade in the country. Co-operative stores are

most modern, products well displayed for convenient shopping, managed efficiently by the elected members of the Board.

3.2 Consumer co-operatives numbering 47, have a total membership of 246,325 with subscribed capital base of KD 2,785,082 and sales turnover of KD 337,776,320 (year 2000).

3.3 There are also other co-operatives in Kuwait like agricultural products co-operatives(4), handicraft co-operative(1), and employees credit society for officers of Kuwait government(1). Scope for co-operatives in some other social and economic sectors like housing, banking and health-care is extremely limited mainly because medical facility, housing, education, etc. are provided by the government free to its citizens.

3.4 In Kuwait, consumer co-operatives are by far the most critical sector of the economy as, they are, as a matter of State policy, expected to play the role of making available food products and other needs of daily necessities to the people adequately and at affordable prices. They compete with the private sector but are way ahead in terms of business volume and market share.

3.5 All the 47 co-operative societies are managed by the elected Boards consisting of not less than 6 and not more than 9 members. They are elected by members for a term of 3 years at the General Assembly by secret balloting by members above the age of 21. the elected Board not only elects its Chairman and Deputy Chairman, but also a Treasurer, Secretary and a representative of the society to the federal society - Union of Consumer Co-operative Societies (UCCS). It is the Board which appoints the Manager and other staff of the Society.

3.6 *Union of Consumer Co-operative Societies (UCCS) formed by consumer co-operatives, is the apex body and is the official spokesman of the consumer co-operative movement in the country. As per Bylaws, the decisions taken by the UCCS are binding on all the co-operative societies. Apart from playing the role as the spokesman for the sector and representing the sector at the national, Arab and international levels, it undertakes business activities of local and external purchases, funds the construction of productive units, endeavours to reduce costs and improves service level. Yet another major responsibility is controlling prices of consumer commodities, unify prices in the co-operative societies and protect the interest of the consumers. A major policy decision drawn by the UCCS is to control artificial or speculative price rises of consumer items. Through this policy, UCCS has been able to successfully control the prices and make available food items and other consumer goods of quality at reasonable price to the people at large in the country.*

3.7 The Board of Directors of UCCS consists of representatives from the member societies. They elect from amongst themselves a Chairman, a Vice-Chairman, a

Secretary and a Treasurer for one year. The Chairman is the ex-officio President of the UCCS. The Board constitutes an Executive Council consisting of 9 members to look after the day to day affairs or any other work assigned to it by the Board of Directors.

3.8 Apart from serving the economic interests of members and other consumers, the consumer co-operatives contribute substantially for serving their respective neighbourhoods by earmarking 25% of the annual profits for social aid. The co-operative principle of social responsibility or community service is actually practiced by funding various educational, health, religious, sports, recreational and environmental services. Other services include extending family aid, funding national and social celebrations, supporting public welfare institutions and construction of nurseries, community halls, landscaping and other developmental projects. Such services demonstrate the construction of co-operatives to the socio-economic development of the country. This is the unique feature of co-operatives in Kuwait and lessons to other co-operatives to learn from a successful model.

4. GOVERNMENT AND CO-OPERATIVES

4.1 Article 23 of the constitution of Kuwait states that the government should accord attention to co-operatives and encourage related activities. The responsible ministry in the government for co-operatives is the Ministry of Social Welfare and Labour which is also the authority for registering the co-operatives under the Law promulgated in 1962 (Law No.20). In 1971, Co-operation Controlate was made as full-fledged Co-operative Department in the Ministry of Social Welfare and Labour. In 1985, the Ministry constituted a High Consultative Committee for Co-operative Affairs for the purpose of proposing the general policy for Kuwait co-operative movement.

4.2 It is a known fact that the government is playing a significant supportive role in the development of co-operatives in the Kuwait.

4.3 Development of co-operatives, and particularly consumer co-operatives, is an integral part of the government's development plan. When new residential areas are developed by the government, special care is taken to allocate adequate land space for construction of co-operative societies and their branches. Even construction of building for consumer stores is undertaken by the government and the facilities created are leased out to the co-operatives on token rents. Such support extended by the government in Kuwait is unique in the region and has contributed significantly for the growth and success of co-operatives.

4.4 Another important decision of the government to support co-operatives is exemption granted from custom charges / duties. Such exemption enables co-operatives in importing / procuring goods at reduced prices and control prices in the market.

4.5 The government as a matter of policy, assigned co-operatives to sell subsidized

consumer products at specified per capita rates. This has encouraged people to shop at co-operative stores which are well spread in the country.

4.6 To avoid unfair competition by private sector and to discourage manipulation of prices, the government has created such conditions which have almost provided monopoly to the co-operatives. Government has banned opening of shops, shopping centres and companies operating in the same line of business as co-operative societies. Consumer co-operatives thus enjoy a near monopoly.

4.7 Government has periodically secured the services of external experts for guidance and help in different areas with a view to improving the performance and growth of the co-operatives and their contribution to the socio-economic development of the people. Government also encourages the co-operatives for interaction with Arab and International co-operative organisations by organising meetings, seminars, conferences and training programmes.

4.8 Ministry of Social Welfare and Labour is generally responsible for registering co-operatives, supervise their operations, inspect and control their activities and extend professional counsel to ensure optimum contribution to socio-economic development. Other ministries of government like Ministry of Commerce and Industry, Ministry of Finance, Ministry of Public Works and the Ministry of Information also extend considerable support to the co-operatives in the form of issue of import and practice licences, fuel store houses and refrigerated spaces, consumer production guidance, leasing of buildings, markets and administrative offices on token fees / rents, designs for construction and funding for construction, issue of licences to open public libraries and in disseminating co-operative education and information necessary for public awareness through press and T.V. and radio programmes. Various supportive services are also made available to the co-operatives by the Kuwait Municipality in matters like safety standards, health licences to workers, hygiene levels and lab tests for items sold in co-operative stores.

5. CO-OPERATIVE LEGISLATION

5.1 Co-operatives in Kuwait are governed by the co-operative law. The first Co-operative Societies Act No.20 was promulgated in 1962. The present revised Law No.24 was promulgated in 1979 which defines co-operative society as: "A co-operative society shall mean any society established by natural or juristic persons, pursuant to the provisions of this Law, whether for a limited or unlimited term, with a view to raising the socio-economic standard of its members through the adoption of the co-operative principles outlined in the Rules for implementation of this Law." No entities, other than the societies established under the provisions of this Law, may incorporate in their titles the word "Cooperation" or any derivative of the same. A co-operative becomes established as a legal entity only after it has been registered and its articles of

association have been publicized in accordance with the provisions of the Law: The Law has the following 7 Chapters:

- Chapter I - Definition and provision governing co-operatives.
- Chapter II - Establishment of co-operatives.
- Chapter III - Management of co-operatives.
- Chapter IV - Co-operative associations and federations.
- Chapter V - Windingup, dissolution and liquidation of societies.
- Chapter VI - Penalties.
- Chapter VII - General provisions.

5.2 No doubt the present Law of 1979 has stood the test of time as co-operatives are able to establish and function smoothly. The co-operative movement has also grown and the consumer co-operatives have a strong presence in retailing food products and other consumer goods to the public throughout the country. They are supported by the government and managed by democratically elected Boards. They enjoy autonomy.

5.3 Though the co-operatives are required to adopt the co-operative principles, the Law itself does not specify those principles. Principles are out-lined in the Rules framed for implementation of the Law as specified in Article-1 of the Act. Rules are framed by Ministerial decision No.108 for the year 1979. As per these rules, the compliance of at least the 5 principles is the condition precedent to the establishment of any co-operative society:

- (i) Membership shall be voluntary.
- (ii) Membership shall be open to all those who meet the conditions set-forth in the Law and in the proposed societies' by-laws.
- (iii) Members shall have equal rights and obligations, regardless of the number of shares owned, pursuant to the provisions of the Law.
- (iv) Interest accrued on capital shares shall not exceed 7% (this has since been revised upwards).
- (v) Returns shall be commensurate with a member's dealings with the society.

5.4 The above principles, though hold good and are of relevance, do not reflect the revised principles adopted by ICA at the Manchester Congress. It seems a proposal is also pending consideration of the Legislative Assembly to provide for 2% of profits to co-operative education and training. Further it was revealed during discussion

with UCCS that the following proposals made for amending the Law are also under consideration of the government:

- (i) Increase in age for membership of co-operative as also for Board members from 21 to 30.
- (ii) Term of elected members of Board to be raised from 3 years to 4 years and Board to be reconstituted every 2 years.
- (iii) Penalties to be more stringent.
- (iv) Reducing governmental interference as government is presently trying to control the market.

5.5 The present Co-operative Societies Law of 1979 needs changes consistent with the revised co-operative principles, changes in the economic scenario, members' aspirations, practical experiences and difficulties experienced by the co-operatives in their working and need to ensure autonomy of the co-operatives with least government control and interference in the affairs of the co-operatives.

6. CO-OPERATIVE POLICY

6.1 Government of Kuwait is yet to adopt a well-defined co-operative policy and put into practice for the development of co-operatives in all sectors of the economy. This policy should define specifically the role and place of the co-operatives in the socio-economic development processes and the supportive role of the government without undue control and interference of government in the working of co-operatives.

6.2 Though such a well defined co-operative policy is yet to be adopted, the government as a matter of policy is supportive of co-operative cause and extends support and assistance in various forms. Success of consumer co-operatives, to a large extent, is due to government support. Government is appreciative of the role of co-operatives and realises its importance in providing various services and benefits to the people for their socio-economic development. It is significant to note that both the government and the co-operatives are inter-dependent on each other for realizing the greater objective of overall socio-economic development of its citizens through co-operative endeavour.

6.3 It is in the above context, adoption of a well defined co-operative policy is a necessity for sustained growth of co-operatives at all levels and in various sectors of economy.

7. CRITICAL CONCLUSIONS

7.1 Consumer co-operatives is the success story of co-operative movement in the State of Kuwait. It has contributed substantially to the socio-economic development

by providing much needed food items and other consumer products to the people at convenient locations at competitive prices. It has recorded tremendous growth over the years with an enviable market share of 85% in retail trade which perhaps, is unparalleled in the consumer co-operative sector anywhere in the world. Growth and success model of consumer co-operative movement in Kuwait is worth emulating in developing countries in the region faced with the challenge of making available consumer goods to the people at affordable and competitive prices. Contribution of co-operatives in the social sectors like education, health care, sports and recreation, help to neighbourhood families and building public welfare institutions is unique as benefits of co-operatives have gone not only to the members but also to the deserving people at large in the country. They have demonstrated in practice concern for the community - one of the co-operative principles. As much as 25% of profits are allocated to provide various support services to the people - a laudable cause indeed.

7.2 Success of the co-operatives would not have come but for the support provided by the government in various forms and its commitment to make available food and other items of daily necessities to the people through co-operative stores at affordable prices and in adequate quantities without much scope for artificial scarcity and exploitation by manipulating prices of food items mostly procured by imports. Private sector is found to be at a disadvantageous position in competition with the co-operatives mainly due to deliberate government policy preferring only co-operative enterprises in the consumer trade sector. This policy has benefited the government, the co-operatives and its members and citizens and other migrant residents of the country.

7.3 Co-operatives in other sectors in Kuwait are far and few. A few co-operatives in agriculture, handicrafts and credit and thrift do exist but their presence is insignificant for any notable impact in these sectors. In certain sectors like health-care services, housing and education there is hardly any scope for co-operative as these services are provided by the government to its citizens free of cost. However, promotion and development of co-operatives in other sectors of the economy has not been seriously tried. Apart from agricultural co-operatives, handicrafts co-operatives and thrift and credit co-operatives which have their presence in the country, other types of co-operatives like producers co-operatives, labour contract co-operatives, co-operatives in tourism and hospitality and entertainment sectors and transport co-operatives could be encouraged and promoted for the benefit of their members and other people including large number of migrant workers who outnumber the citizens of the country. A balanced growth of co-operatives in other sectors of the economy is desirable for realizing the objective of all-round socio-economic development encompassing the people at large.

7.4 With the growth of co-operatives, the need arises for education and training covering the managements of elected members of Board, employees of co-operatives and the members of co-operatives. Though training is provided by organising programmes periodically by organisations like consumer co-operative societies, UCCS

and at times through the initiative of the co-operative departments, it is found to be inadequate to meet the growing needs and for efficient management of the co-operatives at different levels. Imparting qualitative training for improving in efficiency, profitability and services cannot be underestimated in the fast changing economic environment and competitive market conditions. Elected members of boards of co-operatives, who may be new entrants as also the employees of co-operatives need orientation and training periodically to run the co-operative form of business enterprises in an efficient manner. It is therefore not only desirable, but also essential to create a permanent co-operative training infrastructure to begin with at the national level. It could be supported by funding from the Training and Education Fund constituted from the profits of the co-operatives. Government may also think of providing the basic infrastructure of building, hostel, library, training aids and office equipment, etc. for the training institution at the national level as a part of its supportive policy. This institution will fill the existing gap in training for co-operative personnel at various levels.

7.5 The co-operative law as such has stood the test of time as co-operatives have nothing to complain about except suggesting a few modifications in the Act based on their practical experience of managing the co-operatives. These proposals are already with the government. A few other changes are also proposed like constitution of a Training and Education Fund from the contribution of co-operatives' profits.

7.6 While supportive role of the government is well appreciated, it should be ensured that co-operatives are not excessively controlled and regulated. Interference of the government through its co-operative department or through the Registrar should not hamper the self-governance, management initiative and co-operative autonomy. This aspect requires re-examination for needed amendments in the Law to preserve members' aspiration, to promote self-governance, ensure democratic management and to uphold the autonomy of the co-operatives. Assistance and support should not be the pretext to exercise control or interference in the management of co-operatives. With or without support, co-operatives should be able to perform successfully. Experience in some developing countries has shown that without government patronage and support, co-operatives failed to perform. Overdependence of co-operatives on government and excessive control and interference of government in the co-operatives have been some of the major causes of failure of co-operatives in many countries.

7.7 Reforms in co-operative legislation should also take into account the new revised principle of cooperation for suitable incorporation. The principles as found in the present law, are incomplete and need revision suitably.

7.8 It is desirable to carry out the necessary amendments in the Law compatible with co-operative principles and values and incorporate them appropriately in the law to make co-operatives autonomous and truly member-oriented democratic enterprises. Changes need be taken up after wide ranging consultations with co-operatives.

7.9 Neither the co-operatives nor the government have so far, it seems, felt the need for formulating an appropriate forward looking co-operative policy for the overall development of co-operatives in the changing economic environment. Government support to co-operatives continues undiluted and role of the co-operative consumer sector is also clear in government policy. As a result, consumer co-operatives have widened and strengthened their operations and grown from strength to strength over the years. This, however, does not minimize the necessity of evolving a well spelt out co-operative policy to take care of co-operative development in various fields of socio-economic activities. Such a policy will specify the role of co-operatives, their place in the economy, expectations as to the objectives, government's role, government supportive policy and end result to be achieved. This policy has to be put into action and monitored for its implementation and impact.

MALAYSIA

1. BACKGROUND

1.1 Malaysia comprises Peninsular Malaysia and the States of Sabah and Sarawak with total land area of 3,36,700 sq. km. The population of 23 million is made up of Malayas, Chinese, Indians, indigenous people and others. The country has adopted parliamentary democracy with constitutional monarchy. Bahasa Melaya is the national language though English is commonly used and spoken throughout the country. Islam is the official religion of the country but freedom of other religions is freely practised.

2. ECONOMY

2.1 Years of sustained economic growth aided by political stability have resulted in making the country wealthy. It is rich with natural resources like petroleum gas and wood and about 60% of the land mass is rain forest. The GDP is US \$ 99 billion with annual growth of 2%. Agriculture is important but value addition was 8.51% in 2001. Major farm products are rubber, palm oil, cocoa, rice, coconuts, spices, etc. The industrial sector is strong with industries like tin, rubber, palm oil, timber, oil, textiles and electronics. Important export commodities of the country are electronic equipments, palm oil, rubber, textiles, chemicals, petroleum, natural gas and wood & wood products.

2.2 Economic growth is triggered mostly by exports of electronic products but was hit badly by global recession and slump in the information technology sector in 2001. Exports contracted substantially in 2001 and as a result, GDP growth fell to only 0.3%. Economy is on revival path and expected to growth in the coming years with improvement in the global economy particularly in U.S and Japan - the major business partners of the country.

3. CO-OPERATIVES

3.1 Co-operatives came into existence in the country in the early 1900s mainly to protect the interest of the rural people from exploitation by middlemen and indebtedness among government employees. The first thrift and credit co-operative was established and registered in 1922 under the Co-operatives Societies Enactment 1922. This law has since been repealed and replaced by the Co-operative Act 1993, which is in force presently.

3.2 Broadly, co-operatives are classified into 3 categories - (a) Agro-based co-operatives (b) Fisheries co-operatives and (c) Other co-operatives (non-agro-based and non-fisheries based co-operatives). The co-operatives come under two different Ministries. Ministry of Agriculture is responsible for the development of agro-based

co-operatives under the supervision of Farmers' Organisation Authority (LPP) and fisheries based co-operatives under the supervision of Fisheries Development Board of Malaysia (LKIM). Ministry of Land and Co-operative Development is responsible for all other co-operatives under the supervision of Co-operatives Development Department (JPK). However, all co-operatives are subjected to the Co-operative Act 1993.

3.3 Co-operatives covered different sectors of the economy like credit and banking, agriculture and fisheries, construction, transport, consumer, industries, services and housing. In 2002, there were 4330 co-operatives registered under the Co-operative Development Department with membership of 5.02 million share capital of 4.40 RM billion and assets totaling 19 RM billion. Their growth has been steady over the years though confined to traditional sectors mostly. Even during the economic recession since 1997, they have managed to sustain a positive growth except in terms of membership in 1999.

3.4 The Co-operatives Act 1993 has differentiated co-operatives as primary, secondary and tertiary co-operatives. The National Co-operatives Organisation of Malaysia (ANGKASA) is a tertiary co-operative, which is recognised as the Apex body representing the entire co-operatives movement of the country. ANGKASA is not only the spokesman of the co-operative movement in Malaysia but also recognised as such at the international level with its membership of organisations like ICA. Co-operatives in Malaysia are controlled, managed and governed by members. They are autonomous and are not controlled by the government in any way. Government do extend support and help to co-operatives but refrain from interference either in the management or in their business activities. This position of the government and role it plays has been well recognised by the co-operatives and the co-operative leadership.

3.5 While the co-operatives have developed fairly well in serving the economic interest of their members, there are certain problems and weaknesses in their operations. Majority of co-operatives are small in terms of capital and business volume and comprise of inactive members and poor / ineffective networking amongst them. Prudent financial management in these co-operatives is lacking and as a result, surplus funds are not put to productive use for further development of co-operatives in different sectors. These small and weak co-operatives operate in isolation and are found to be incompetent to face the challenges of competitive market. Cooperation among co-operatives is yet to be effectively practised and as a result, performance of secondary level co-operatives established in certain sectors is much below the expected level.

3.6 Business growth, diversification and profitability of the co-operatives have suffered due to lack of professionalism and management expertise at the level of top level management of Board of Directors, whose services as elected representatives are voluntary. Their capabilities being limited, they are not able to give proper direction in

planning and implementation of the business activities of the co-operatives. This has led to co-operatives continuing with their traditional small-scale business operations losing out eventually to competition posed by public and private sector enterprises. There is thus an urgent need to professionalize the management at all levels through training and education. Co-operatives should build up their competitive strength through appropriate manpower planning and development strategy.

3.7 There are not many new generation co-operatives in Malaysia. However, attempts are being made to organise them in different sectors, like for example, health-care co-operatives (medical co-operatives). Government provides support to such co-operatives by way of loans at interest rates lower than the bank rate. School co-operatives are very popular and strong with over 4500 of them functioning throughout the country. Children in the age group of 12-16 are their members. There are also industrial co-operatives and co-operatives of industrial workers. The trend has been to diversify the activities of the traditional co-operatives by marketing new products. Likewise, more and more co-operatives are becoming multi-purpose by broad basing their operations like for example housing co-operatives providing credit to their members.

3.8 There are over 4000 co-operatives operating at different levels, of which about 200 are considered weak or dormant. It is reported that both the government and ANGKASA are involved in their rehabilitation and 49 co-operatives have since been taken up for rehabilitation. These co-operatives are showing improved results.

3.9 In Malaysia, government interference or control of the Co-operative Department in the working of co-operatives is found to be minimal and co-operatives do enjoy the freedom and autonomy. Besides policy support, the government provides financial support to the co-operatives in the form of tax concessions, soft loans to meet working capital of certain co-operatives and subsidies to school and small co-operatives.

4. GOVERNMENT AND CO-OPERATIVES

4.1 In Malaysia, government is committed to promote and develop co-operatives and it recognises the co-operative movement as the prime motivator and contributor in the nation's economic development. Government relations with the co-operative sector have been very close so as to remove any impediment in the functioning and growth of co-operatives.

4.2 The government has taken initiative to promote one industry in each of the six identified districts through co-operatives. These new generation co-operatives will be the producers' co-operatives contributing for industrial development of the country.

4.3 The Co-operative Act of 1993, which is presently in force, provides for constitution, registration, control and regulation of co-operatives. Co-operatives are

also regulated and subjected to rules drawn under the Act known as Co-operatives Societies Regulations 1995. The government does not believe in controlling or involving in managing the co-operatives and therefore believes in creation of conducive environment through implementation of relevant policy for co-operatives for self-governance. Thus the co-operatives enjoy the necessary autonomy to function without undue governmental interference. This has helped the co-operatives to maintain their identity as distinct from public sector as self-governed and self-regulated enterprises within the framework of co-operative law and rules and operate in accordance with the co-operative principles.

4.4 Director General who is also the Registrar General under the Act is the head of the Department of Co-operatives Development in Malaysia. This Department of Director General is divided into 8 broad divisions each looking after one activity viz., (i) loans & investments (ii) enforcement (iii) regulatory (iv) audit & accounts (v) extension (vi) corporate planning (vii) monitoring and (viii) resource management.

4.5 Apart from government policy support, co-operatives also enjoy tax benefits where no tax is levied to newly formed co-operatives for the first 5 years. Co-operatives also continue to enjoy this concession even after the fifth year, where the members fund is not more than 7,50,000 Malaysian Ringgit. Thus most of the primary co-operatives, which are small, enjoy full tax benefits. This has helped capital formation in co-operatives as also build up of financial base. Under section 57 of the Act, not less than 15% of the net profits have to be appropriated to the Reserve Fund of the Society.

4.6 Financial support to co-operatives is limited to provision of soft loans through the capital Revolving Fund to meet working capital needs. Assistance by way of subsidies is limited to only school and small co-operatives towards their working capital requirement.

4.7 In a way the government is also responsible for co-operative education and training, which is provided through the Co-operative College of Malaysia, established in the year 1956.

4.8 Government took a decision in 2002 for training the elected members of the Boards of the Co-operatives as success and good governance depend, to a large extent, on the intellectual competence of the Board in evolving right policies and taking right management decisions concerning operations of the co-operatives. Every member of the Board is required to take this orientation of two-day duration within a period of 10 months of his election as Director. If one fails to undergo this mandatory training within the stipulated time frame, he will have to step down from the elective position. Such training throughout the country is provided by the co-operative college and by ANGKASA. Besides the Co-operative Education Trust Fund constituted at the level of

the government from contributions of co-operatives, yet another fund known as Co-operatives Development Trust Fund is also established at the level of ANGKASA from contribution of 1% of the net profits of the co-operatives for providing training to the Directors of the co-operatives. Such training will be a continuous process as after every election, new directors get elected who would need orientation in management of co-operatives.

4.9 Co-operatives College of Malaysia, established in the year 1956, became a statutory body by an act of Parliament in 1968. While it is under the administrative control of the Ministry of Land and Co-operative Development, its operational expenses are met from the Co-operatives Education Trust Fund with contributions coming from co-operatives - presently at 2% of net profits. Government provides financial support, whenever necessary, to meet the capital expenditure of the training infrastructure. It has a fairly good and impressive training complex in the capital and a large faculty of 35 with adequate supportive administrative staff. Apart from various diploma courses, short-term training programmes, seminars, conferences, etc., a few training programmes are also organised drawing participants from not only from Asia-Pacific region but also from many African countries. Recently the college started conducting a 2½ year Post-graduate Diploma in Co-operative Business Management, primarily to meet the needs of co-operative for professionalisation of management. There are plans to convert the college with university status by moving out to a more spacious campus.

4.10 While the college activities in the field of training and education is laudable, much needs to be done in the area of human resource development of the co-operatives through need based training programmes. Response to the short duration training programmes meant for the co-operatives is found to be less than adequate, resulting in under-utilisation of the capacity or at times even cancellation of the programme. College caters to the training needs of government officers supervising the co-operatives rather than that of co-operatives responsible for managing their business operations. The end result has been gross inadequacy of training support services for HRD of co-operatives at all levels. This is bound to adversely affect the growth of co-operatives if remedial measures are not initiated to set right the anomaly in the training infrastructural arrangements.

5. CO-OPERATIVES LEGISLATION

5.1 Co-operatives in Malaysia are governed by the Co-operative Societies Act 1993 (Act 502) and Co-operative Societies Regulations 1995. But for some minor amendments in the Act carried out in 1995, 1996 and 2001, the Act has remained intact without major changes. Similarly the Regulations drawn in 1995 under provisions of Section 86 of the Act have also seen changes relating to Co-operatives Development Fund (1996), in fees payable by co-operatives (1997), Co-operative Societies Tribunal

(1998) and revision in fees payable by Co-operatives Societies (1999). The Act is fairly liberal and co-operatives have not experienced any major hurdle in preserving their identity, values and autonomy. Registrar General, however, wields considerable powers. Certain judicial functions of Registrar General for settling disputes have, however been transferred to the Tribunal set-up under the Regulations of 1998 as per provisions of Section 83 of the Act. Yet another development has been constitution of a Co-operatives Development Trust Fund in 1996 in addition to the Co-operatives Education Fund. As determined by the government, every registered society shall pay 2% of the net profits to the Co-operatives Education Fund and 1% to the Co-operatives Development Trust Fund. Both these funds are meant to meet the cost of training and education of co-operative personnel and co-operative development activities. The management of these funds vests with the government in as much as Registrar General is the Chairman of both the Committees for administering the accounts. This is resented to by the co-operatives and cooperators as they feel funds contributed by the co-operatives should be managed by the co-operatives themselves and utilized fully for the purpose of training, education and other co-operative developmental activities.

5.2 While major amendments in the present Act are not envisaged, as the government feels that provisions in the Act and Regulations are adequate to protect and develop the co-operative values. However, certain amendments are proposed to be carried out including incorporation of co-operative values and seven revised principles adopted by ICA at the 1995 Manchester conference. Apart from this, government is also examining reforms in the Act concerning co-operative governance, functions, participation of women in the management of co-operatives etc. Process of consultations with the co-operatives and co-operative leaders is expected to be initiated by the department besides examining the available feedback of the movement relating to reforms in the Act. ANGAKASA, being the recognised spokesman of the co-operative movement at the National level, could play an important role in projecting the views of the co-operatives and amendments or changes necessary for promotion and development of co-operatives as autonomous and independent peoples organisations managed by themselves democratically. Proposed changes should also take into account the changed economic scenario of a competitive market orientated economy, so that, the co-operatives could adjust themselves in the emerging conditions in regard to their business operations and strategies. The Act should not be a hindrance for diversification of activities, broadbasing of operations and promotion of subsidiaries to serve the interests of the co-operatives and their members. Powers and functions of the Registrar, which are generally resisted to by the co-operatives, need to be reexamined in the context of the co-operative autonomy.

5.3 The co-operative policy, which the government proposes to announce soon, would also necessitate certain changes in the Act in orders to translate the policy into action as also to give a legal status to some of the policy decisions.

6. CO-OPERATIVES POLICY

6.1 In Malaysia, Co-operative Policy is yet to be formally notified and put into practice. Even without such a stated policy, co-operatives have registered fairly good progress and growth and have served the economic interests of the members and contributed substantially to the national economic growth. Co-operatives are free from any excessive government control or departmental interference and enjoy fair degree of autonomy. Government has recognised co-operatives as an important sector for economic growth particularly touching upon farm sector, consumers and workers. Credit and Banking Co-operatives continue to be the backbone of the co-operative movement though in number, consumer co-operatives (2451) account for more than 50% of the total 4246 co-operatives in 2001. Agricultural co-operatives too have a strong base. This sustained growth would not have been possible but for the pro-co-operative government policy.

6.2 Perhaps influenced by ICA recommendations and based on felt needs, the government initiated the process of drawing a National Co-operatives Policy in 2002, which is yet to be officially announced. According to sources in the government, the policy was formulated after an in-depth study conducted by the University and wide ranging consultations with the co-operatives. However ANGKASA, which represents over 60% of the co-operatives as members and is the only representative body and spokesman of the co-operative movement at the national and international levels, appears to have been not adequately involved in framing the policy. On such an important policy document, which will eventually shape the future role and place of co-operatives in the economy, many wide consultations with the co-operative leadership were perhaps desirable and necessary. Any policy on cooperation should meet the expectations and aspirations of co-operatives and meet the needs for ensuring healthy growth on a sustainable basis.

6.3 National Co-operative Policy document drawn by the Department of Co-operative Development under the Ministry of Land and Co-operatives Development aims at “providing a conducive environmental framework for transforming co-operatives into institutions capable of assisting in the economic growth and social development thereby contributing directly to national development”. The policy is meant to be applied for the purpose of supervision. The co-operatives are expected to be governed by the seven co-operatives principles stated in the policy document.

The major problems identified in the policy document cover:

- (i) Inadequate capital, inactive members and poor networking amongst co-operatives.
- (ii) Poor integration and weak competitive strength due to lack of cooperation amongst co-operatives.

- (iii) Weak and ineffective secondary level co-operatives.
- (iv) Lack of professionalism and expertise at the level of management
- (v) Duality of control of the Ministry of Agriculture and Ministry of Land and Co-operatives Development on certain types of co-operatives. In some cases co-operatives come under as many as five Ministries.
- (vi) Challenge posed by emerging trends in the IT and communication and external influences of globalization, liberalization, deregulation and national policy changes in preserving the identity and ideology of the co-operatives.

6.4 It is in the above context, the policy has been formulated with the long-term objective of transforming the co-operative movement into a vehicle that is competitive and geared towards eradication of poverty, creation of employment and business opportunities and upgrading the quality of life, based on co-operative principles, for the national development in line with vision 2020.

6.5 Implementation strategies for realizing the objectives of the policy are stated to be:

- a) To ensure that the co-operative principles and philosophy are understood and practised in the co-operative movement.
- b) To formulate clear rules and regulations to assist in the promotion and development of the co-operative sector.
- c) To recognise the co-operative movement as a prime motivator and contributor in the economic development of the nation.
- d) To strengthen and maintain good co-operative governance, efficient administrative and financial management and effective supervision of co-operatives.
- e) To increase sources of capital to enable co-operatives to face challenges and competition.
- f) To strengthen cooperation among co-operatives and cooperation between co-operatives and third parties.
- g) To continuously improve the quality of products and services offered by co-operatives.
- h) To establish a National Co-operative Consultative Council (MPKK).

6.6 For realizing the objectives and implementation of the above stated strategies, action to be initiated by different sectors is also spelt out in the policy document.

6.7 The policy envisages establishment of a National Co-operative Consultative Council (MPKK) Chaired by the Hon'ble Deputy Prime Minister. It will have both government representatives from various concerned ministries as also from co-operatives including ANGKASA for implementing the policy successfully. It is also proposed to draw a detailed plan of action for effective implementation of the policy by various agencies.

6.8 The policy is a well-drawn document covering all aspects of co-operatives' development aimed at making them an effective third sector in the nation's economic development. Most crucial aspect for realising the objectives of the policy however remains to be its implementation involving all the concerned agencies.

7. CRITICAL CONCLUSIONS

7.1 Co-operatives in Malaysia have played an important role and their status as an important third sector in the economic development of the country has been well recognised by the government. Co-operatives have also recorded a steady growth over the years and barring some 200 and odd co-operatives, others are found to be viable serving the needs of the people in general and members in particular. ANGKASA is an effective national level union of co-operatives represented by all sectors of the movement and recognised by the government as the spokesman of the co-operative sector. It is a strong organisation and plays the leadership role fairly well and effectively.

7.2 Despite a fairly satisfactory overall picture of the co-operative movement in the country, there are certain areas of weaknesses and shortcomings, which need careful consideration and action. They are: -

- (i) Co-operative Law is almost 10 years old and needs certain changes/amendments to make the co-operatives much more stronger, diversified, autonomous and independent organisations managed by members democratically. Government may have to involve itself in wide ranging and more effective consultations with the co-operatives and their leadership to ascertain the right feedback of the sector in this regard. ANGKASA, being the apex of co-operatives, should take a lead to ascertain the views of the co-operatives after undertaking studies on operational and management problems of the co-operatives in different sectors. The proposed amendments in the form of reforms in the co-operatives legislation should take into account the changes in the economic scenario at the national and global levels, emerging trends in the economy which may affect the co-operative form of enterprise as also the co-operative policy drawn by the government specifying the role and place of co-operatives in the nation's economic development.
- (ii) The co-operative policy as such is ready but yet to be formally announced. There is thus scope for changes/additions in the draft policy particularly when

the co-operative leadership feels that they had no opportunity to place their views / suggestions as the policy was more or less drawn by the co-operatives department of the government without wide ranging consultations. ANGKASA should be actively involved in this process. For successful implementation of the policy, it should meet the needs of the co-operatives and hence need for further consultation before finalising the policy.

- (iii) Member education, orientation of elected members of the Board, training of co-operative personnel working at different levels is a much-neglected area, which has adversely affected human resource development process in the co-operatives. Not enough care has been taken to professionalise the management though the mandatory stipulation for elected directors to undergo training for 2 days within 10 months of assuming office is a welcome step in this direction. Without professionalisation through training and induction of competent persons in the business organisations, co-operatives may not be able to take advantage of the opportunities of changes in the economy and government's liberalised policies and face the competition of the free market economy. Every co-operative organisation has to draw its manpower plan and strategy and it should be an integral part of the overall corporate / business plan of the organisation.
- (iv) The Co-operative College of Malaysia is an autonomous institution established by an Act of Parliament. It is however practically managed by the government and its faculty and supportive staff drawn from the market. The College is meant for training the co-operative personnel but in practice, it serves training needs of government officials and others. Co-operatives do not feel involved and they are showing less interest in deputing their officers. Lack of response to the programmes of the college from the co-operatives is a problem, which needs to be tackled in the interest of co-operatives. Co-operatives should have a greater say in the management of the co-operatives. The possibility of handing over management of the college to ANGKASA may be examined, so that, it sub - serves the training needs of the co-operatives more effectively.
- (v) Co-operatives, in particular "ANGKASA", may consider to establish its own training infrastructure based on felt needs as one college and its two branches at Sabah and Sarawak may be inadequate to provide effective training to co-operative personnel at different levels. Some financial support for such activities should come from the two funds constituted from the contribution of co-operatives from their profits.

There is a strong case for strengthening the training infrastructure in Malaysia as the present arrangements are found to be inadequate and not responsive to the needs of the co-operatives.

- (vi) Government may evolve suitable mechanism for dialogue / consultations with co-operatives, particularly at the level of ANGKASA and other national level federations with an endeavor to redress the grievances and solve the problems which are external and cannot be resolved by the managements themselves. Maintaining cordial relations for better understanding of each other's view point, is not only desirable but also essential between the various departments of the government and the co-operatives for realising the objectives envisaged in the policy and for ensuring healthy growth of the co-operatives.
- (vii) Co-operatives in Malaysia are traditional though attempts are being made for organizing the new generation co-operatives. The scope for expanding co-operatives in several other sectors of the economy like leisure and hospitality, health-care services, industrial and producers' co-operatives, marketing and processing should be explored and encouraged by the government.
- (viii) There are about 200 co-operatives, which are either dormant or weak as identified by the Co-operative Department of the Government. An action plan should be drawn to strengthen them as also other co-operatives, which are in the borderline of viability. Constant monitoring of these and other co-operatives is necessary to avoid sickness, weakness, non-viability and delinquency.
- (ix) Primary co-operatives are weak in terms of capital base and business volume. Special care is necessary to make them financially strong with adequate owned funds. Most of the secondary level co-operatives are found to be weak and not effective in the services and business operations. A plan of action should be drawn to strengthen them and for net working so that, primary societies could secure support services from the upper tier adequately.
- (x) There is an urgent need to establish a National Co-operative Bank, which would provide the banking services to the entire co-operative movement both nationally and internationally. The Co-operative Banking and Credit Societies at the lower level could also immensely benefit from the National Co-operative Bank for meeting their resource needs and for managing their surplus and investible funds.
- (xi) National Consultation Council, proposed to be set-up under the Co-operative Policy for monitoring the implementation of the Policy, should provide adequate representation to the co-operatives to dispel apprehension that it will be loaded by government representatives rather than the persons representing the co-operatives.

BANGLADESH

1. BACKGROUND

1.1 People's Republic of Bangladesh is one of world's most densely populated countries with a population of 129 million. Country with a land of 1,47,570 sq. km. in the Bay of Bengal has long borders with India as also with Myanmar in the South-East. Dhaka is the capital city with a population of 8.5 million. Bangla and English are the languages of the country, though Bangla is the national language spoken by most. Religion of Bangladesh is Islam with 88.3% of the population being Muslim and remaining mostly (10.5%) Hindus.

1.2 After independence in 1947 and partition, East Bengal became a State of East Pakistan. It became an independent State of Bangladesh in 1971 with the country's first Prime Minister in January 1972.

1.3 The country is fertile with two-third of arable land and about 10% forest land. The country has a rich history and culture and lots of attraction for tourists.

2. ECONOMY

2.1 Bangladesh is an agricultural country and a majority of people are dependent on agriculture for their livelihood. The country and its people are vulnerable to natural calamities like floods and cyclone causing widespread destruction to life and properties. This is one of the reasons why rural economy suffers and people are poor. Rice, jute, wheat, cotton, sugarcane, potatoes are some of the major crops on which the industries depend upon. Beef, milk and poultry are the other major food products of the country.

2.2 Country's GDP is US \$ 175.5 billion, per head GDP being US \$ 1380. Annual economic growth is a modest 4%. Inflation is on a higher side of about 7%.

3. CO-OPERATIVES

3A.1 Co-operative movement in Bangladesh, like in India, is almost century old. The present co-operatives legislation was enacted in 2001 and the revised Co-operative Societies Act-2001 is now in force applicable to co-operatives in the country. According to government, the present Act ensures autonomy of the co-operatives fully; but in practice, co-operatives feel they are being excessively controlled and interfered with.

3A.2 Somewhat peculiar system exists in Bangladesh with parallel co-operative structures functioning. While Agricultural Co-operatives, which are traditional multipurpose co-operatives, are administered by the co-operative department headed by the Registrar of Co-operative Societies, farmer co-operatives with both two-tier and three-tier structural pattern are under the supervision and administrative control

of the Bangladesh Rural Development Board (BRDB). Natural co-operatives, which are traditional co-operatives, are found to be at a disadvantageous position as the other parallel co-operatives promoted, nurtured, supervised and somewhat subsidised by the government through BRDB are favoured ones. These two groups of co-operatives have created confusion with duality of control. For registration, liquidation and audit of all co-operatives, the Registrar however is the competent authority under the Act as it applies to all co-operatives in both the groups. "Natural" or "traditional" Agricultural Co-operatives, which are unaided, have almost become non-resource based with no funds coming adequately from the co-operative credit and banking system for carrying out the lending activities in the rural sector for agriculture and other purposes. This function is more or less undertaken by the new generation co-operatives promoted by BRDB at the cost of traditional rural credit co-operatives. Apart from funds flowing for these co-operatives through various aid projects, the banks too provide funds including the public sector Sonali Bank.

3A.3 Bangladesh National Co-operative Bank which is the apex bank for credit and banking sector, expected to meet the resource needs of agricultural co-operatives for on lending to farmers, is also in a bad shape. It no longer takes care of farmers credit needs because of poor resource base and unsatisfactory recycling of funds. Chairman of the bank, who is also the Deputy Minister for Land Reforms cites several major causes for the weak financial position of the bank and its ineffective role as the national level co-operative banking institution:-

3A.4 Identified major causes are:

- i) Restrictive provisions in the Act and provisions not conducive for the operations and growth of the Bank.
- ii) Unhelpful government attitude and lack of support.
- iii) Resources of about Taka 700 million too inadequate for viable operations.
- iv) Poor loan repayment record of credit provided to the farmers through agricultural co-operatives.
- v) Vitiating recovery climate due to government policy of waiver of agricultural loans upto 5,000 Taka required to be repaid in 10 instalments.
- vi) Competition in the rural credit sector due to active role of NGOs, self-help groups and other banks including separate structure of farmers co-operatives administered and regulated by BRDB.
- vii) Poor base-level structure of farmers' multi-purpose co-operatives.
- viii) Lack of staff training and motivation, member education and leadership orientation.

- ix) Ineffective membership of co-operatives and weak leadership.
- x) Lack of credibility and poor image about co-operatives.
- xi) Excessive control of the co-operative department.
- xii) Inefficient and ineffective services of co-operatives due to lack of professionalism in the management.

3A.5 Majority of co-operatives in Bangladesh are credit based and their failure to perform as viable units is fairly well established apart from the above mentioned major causes. The position of the co-operatives in other major sectors like marketing and consumer is no better as they too are weak and in bad shape. Co-operative insurance, which was a strong organisation with considerable business volume and product range, is trying hard to survive due to several factors. Apart from management related problems, competition from government insurance companies and other new private sector companies has also affected the business of the co-operative insurance. Unfavorable government policies, indifferent attitude of the government towards the problems of co-operative insurance and excessive control of the government and co-operative department are some of the reasons cited for the present plight of the co-operative insurance sector.

3A.6 In the background of the gloom, co-operative dairy sector is a success story benefiting both milk producers and the consumers. Since demand for milk and milk products far exceeds production and supply, co-operative dairy sector has enormous growth potential in Bangladesh. Brand name "Milk-Vita" has established fairly well in the market and is a household name particularly in Dakha and other urban centres. Milk procured from the base level milk producers' societies is processed, marketed and sold to the household in sachets through agency net-work. Other milk products including milk powder are equally popular. Dakha diary, which was founded initially by co-operatives, government and FAO, produces nearly 150 thousand litres of milk daily and plans to expand the capacity to 250 thousand litres per day soon. Milk is procured from about 500 milk producers' co-operatives with nearly 50,000 members.

3A.7 Housing co-operatives, particularly those formed by salary earners including government servants are also developing fast with considerable growth potential with urbanisation and growth of cities like Dakha. Co-operative book societies and handicraft co-operatives are some other sectors where new generation co-operatives are doing well with scope for growth with success.

3A.8 Bangladesh Co-operative Union, which represents the co-operative sector at the national and international levels, has inherited the weaknesses of the co-operatives in the country with poor financial resources and manpower. As the spokesman of the movement, its role is found to be ineffective in ensuring the healthy growth of the co-

operative movement in the country. Though it has a large membership, poor financial position of the constituents is its major concern for raising resources for its activities like liaison functions, propaganda and publicity, training and education & lobbying. With no funding support forthcoming from the government, as even the Co-operative Development Fund (CDF) constituted with the contributions of co-operatives from their profits being managed by the co-operative department of the government, the Union with poor resources is found ineffective even in performing some of the basic functions as the movement's spokesman and leader at the national level.

3B. Bangladesh Rural Development Board (BRDB)

3B.1 Bangladesh Rural Development Board is a public sector organisation established in 1982 primarily for rural development and poverty alleviation in the country. The success of "Comila Model" of rural development with two-tier co-operative system was transformed into a nation-wide programme for integrated rural development programme launched in 1972 through the agency of BRDB. Gradually, the activities of BRDB were expanded beyond rural development and poverty alleviation through group based employment and income generating activities. Government sponsored, subsidised and managed BRDB is implementing a variety of projects and programmes for modernisation of agriculture, women development and poverty alleviation in the country. Being the government organisation, the establishment cost of the BRDB is met by the government covering net work in 57 districts and 449 thanas with more than 10000 staff of revenue set-up and project administration. Primary co-operatives are formed at village level and association of them at the thana level for generating savings, execution of credit programmes, input supply, storage and marketing of products. Training of farmers and co-operative personnel is also an important mandated function of the BRDB through its national level training institution and 2 regional training set-up. The training infrastructure also includes 23 specialised training institutions and thana level training centres.

3B.2 Statistically, BRDB has promoted 63,000 primary co-operatives and 449 thana level central co-operatives with a membership coverage of 2.3 million. Its credit disbursements amount to TK 96 Billion with 70% repayment record. Its poverty alleviation and other developmental activities also reveal impressive figures under the eight on-going projects encompassing 1.6 million members of 62000 co-operatives and informal self-help groups. With savings of TK 10.2 billion and micro-credit disbursements of 102.6 billion, its loan repayment of 98% is much better than the primary agricultural co-operatives. About 60% of the members of self-help groups and co-operatives are women and it is estimated that 28% of the beneficiaries under various projects of poverty alleviation have crossed the poverty-line with improved income level and standard of living.

3B.3 Co-operatives administered by BRDB are under dual control of BRDB and

the co-operative department / Registrar. Approval of budget of co-operatives, audit, disciplinary action, etc. are some of the functions under the authority of the Registrar. Besides, no funding support comes to BRDB sponsored co-operatives from the co-operative development fund which is augmented from the profits of co-operatives under the law. Even investment of funds of co-operatives needs approval of RCS. BRDB is sceptical of this dual control of RCS and wants changes in the law for the autonomy of these co-operatives..

3B.4 The co-operatives formed by BRDB are administered and closely supervised and monitored by the Board's supervisory mechanism at considerable cost to the government which also extends support in several ways unlike other traditional primary agricultural credit co-operatives which are languishing unaided and uncared for. Restructuring and strengthening these co-operatives and other sectoral weak co-operatives will be a task of utmost importance for overall development of the co-operative movement in Bangladesh.

4. GOVERNMENT AND THE CO-OPERATIVES

4.1 Government in Bangladesh is actively involved in promoting and developing co-operatives particularly in the agricultural and rural sectors because of its importance for growth of agriculture, well-being of farmers and alleviation of rural poverty. Its commitments to co-operatives is demonstrated by the projects implemented by the agency of BRDB through the base level co-operatives and self-help groups. Government funding, government subsidy and patronage is visible in implementing the projects through supervisory and control mechanism built-up at government level. However, government apathy is also visible with no support to the traditional co-operatives in agriculture and other sectors of the economy. There is neither any plan nor any strategy to revive and strengthen these weak and dormant societies despite their potential for improving the economic conditions of a large number of people and for contribution to the growth of the national economy. No clear-cut policy seems to have been evolved by the government as to the role and place of co-operatives in the socio-economic development of the country and its large number of people, particularly in the countryside.

4.2 Government administers the co-operative development fund to which contributions are made by co-operatives at 3% of their net profits as per rules. While 1% is earmarked for training activities, the balance is spent, ostensibly for other co-operative development activities. How properly and judiciously these funds are utilised for the real purpose of training and co-operative development is a big question. Co-operatives, cooperators and BRDB officials are unhappy about the manner in which the fund is managed and spent by the government authority.

4.3 Certain government policies aimed at appeasing the debt burdened farmers

by way of debt waiver, debt reschedulement, interest waiver etc. have created more damage to the credit co-operatives than intended beneficial effects of relief. Besides vitiating the climate of loan repayment, co-operatives are burdened with overdues and NPAs resulting in choking the credit line and rendering the structure unviable. A weak non-viable structure can hardly be expected to provide the services so badly needed by farmer members. Such populist and politically motivated policies do more damage than good when it comes to establishing a credible credit delivery system through the co-operatives in the rural sector.

4.4 Though co-operatives are said to be autonomous and democratically managed entities, seldom they are free to manage their affairs freely because of power exercised by the co-operative department and the Registrar as also due to political interference. Co-operatives are not free from the blame for the mismanagement, malpractices and violation of the law and regulations. This has justified the control and interference of the Registrar citing many cases and examples. Co-operatives have also suffered and their progress halted by many litigations and court cases. There is need for more discipline and restraint at the level of the co-operative managements and the co-operative department respectively. While co-operatives should develop on their own strength, one cannot dismiss altogether that government has no role to play in assisting the co-operatives in the poor and developing countries looking to their potential in providing needed services to the poor and economically vulnerable sections of the society. Government support, government aid and above all a well drawn favourable policy will go a long way in developing the co-operatives in Bangladesh to realise the objective of socio-economic development through the co-operative endeavor.

4.5 Bangladesh government do provide support to co-operatives - financial or otherwise - through several means. They are broadly:

- i) Co-operatives enjoy tax exemptions and concessions. No tax is payable on the profits generated from transactions between the co-operative and its members.
- ii) Government has contributed to the equity of several co-operatives like marketing, fishery, dairy, industrial and the National Co-operative Bank.
- iii) BRDB is funded by the government besides meeting its establishment costs as also that of thana level co-operatives under BRDB.
- iv) Infrastructure cost of dairy co-operatives and other establishments of BRDB is also taken care of by the government.
- v) Training infrastructure including the Bangladesh Co-operative Academy and 9 zonal training institutions are funded by the government from the CDF.
- vi) Some co-operatives are subsidised and assisted by the government.

- vii) During the year 2003-2004, milk co-operatives will be given loans of 120 million Taka without interest for expansion of its business activities besides 200 million Taka given earlier. More than financial support which government extends to co-operatives under various schemes and projects, what is needed is a clear policy support for the healthy growth of co-operatives without excessive government control and interference in their business operations and management.

5. CO-OPERATIVE LEGISLATION

5.1 In the constitution of the Republic of Bangladesh, Co-operatives do find a place for their constitution and development as peoples movement for the socio-economic development of their members.

5.2 The present Co-operative Societies Act 2001 came into being by repealing the Co-operative Societies Ordinance of 1984. Certain amendments were carried out in 2002 said to be at the behest of cooperators and to meet the needs of co-operatives. By this amendment, the term of the management committees of co-operatives was reduced from 5 years to 3 years. An elected member cannot continue on the Board for more than 2 terms and there should be a gap of at least one term before seeking re-election on the Board. According to co-operatives, this is a restrictive provision infringing the freedom of members to elect their representatives on the Board of Management of the co-operatives.

5.3 The Act is silent on the co-operative values and principles. According to definitional clause in the Act, a 'co-operative society' means any co-operative society registered or said to be registered under the law. Thus, even the 'co-operative' is not properly and adequately defined in the Act.

5.4 The objective of the primary co-operative society is defined as one to "develop the socio-economic condition of members of the society", but for which, there is no stated objective about the role and place of the co-operative in the economic development of the country.

5.5 Apart from registration of the society, which the Registrar is required to do within 60 days from the date of application for registration; the Registrar's functions include audit, inspection and inquiry of co-operatives under the law. He has also powers for settlement of disputes and liquidation and dissolution of the movement of co-operatives under certain conditions and under special circumstances as stipulated in the Act. On dissolution of the managing committee, Registrar appoints an interim managing committee which shall conduct election within 90 days of taking charge and hand over the responsibility to the elected committee. If it fails to take necessary action to install the elected committee within the stipulated period of 90 days, Registrar will constitute a new managing committee dissolving the existing one. There are

cases when such committees were given extension several times or new committees were constituted after expiry of every 90 days, period when elections were not conducted for various reasons - sometimes due to court cases.

5.6 There is provision in the Act to frame rules to carry out the purposes of the Act. Accordingly, the government framed rules in 1987 under the then Act, which were recently amended. Rules are further proposed to be amended. The government is seriously considering to reduce the powers of the Registrar under the Act which are found to be excessive resulting in needless and avoidable interference in the working and management of the co-operatives. Objectives of changes in the Act and rules is mainly intended to give more freedom to co-operatives and to make them feel that they are not controlled by the co-operative department and the Registrar, but are assisted to develop as autonomous member driven organisations for betterment of their socio-economic conditions.

5.7 Government believes in co-operative autonomy and contribution they can make in the economic development of the co-operatives. Registrar too is not hesitant to give up such powers and control which are found to be excessive.

5.8 Co-operatives and cooperators feel that despite government proclamation of co-operative autonomy, they are excessively controlled by the co-operative department and there is too much of interference by the officers of the department. Inspection, audit, dissolution, supersession of elected management committees, need to seek approvals for budget and investments, interpretation of profits for contribution to CDF, administration of the CDF etc. are some of the areas on which legislative reforms are found necessary.

5.9 No concrete action is seen to carry out the amendments in the Act and the process of consultation with co-operatives, co-operative unions and cooperators is yet to commence. Co-operative department and officials feel that though the present Act is good enough for the smooth functioning and for preserving the autonomy of the co-operatives, they are open to consider carrying out necessary and desirable changes in the law as also in the rules so that such irritants are done away with which hamper the independence and growth of co-operatives.

6. CO-OPERATIVE POLICY

6.1 Government in Bangladesh is yet to formulate any definite co-operative policy specifying co-operatives' role in the economy and in developing the socio-economic advancement of their members. Government however claims that they have drafted a policy, which was not available for examining. Co-operatives too have not taken initiative in proposing to the government the need to formulate an appropriate co-operative policy which will help them to grow as efficient institutions in the changed economic scenario to subserve the interests of their members and thus contribute to

the economic development of the country. Government is favourable to the proposal of drafting a co-operative policy in consultation with the concerned after undertaking appropriate studies and examining the needs of the co-operatives at different levels. Government is appreciative of the co-operatives' role and their importance in the economy. Government is also committed to autonomy and independence of the co-operatives which should grow on the basis of co-operative values and principles. To this end, certain changes were made in the Act in 2001.

6.2 Government is willing to provide its policy support and assistance to the co-operatives whenever necessary, but believes that growth of co-operatives should be on their own strength and not with government patronage and financial assistance. Autonomy and self-reliance go hand in hand and co-operatives sponsored, assisted and supervised by the government are bound to be controlled to protect the financial interest of the government and in the interest of the members of the co-operatives and the general public. To preserve the autonomy, co-operatives would do well to depend less on government financial support and subsidies.

7. CRITICAL CONCLUSIONS

7.1 The overall scenario of the co-operative movement in Bangladesh is not inspiring despite its long history and well built-up set-up in the rural sector for providing credit and other services to the farmers and the rural poor. New experiment of parallel rural co-operatives of farmers promoted, supervised and nurtured through government agency of BRDB have made the traditional agricultural co-operatives redundant with no prospects of revival. Neither these co-operatives have an answer to their problems nor the government has any rehabilitation plan or strategy for their revival. The picture is not different in other major sectors like marketing and consumer co-operatives which are found ineffective and inefficient in the changed liberalised market-oriented economy. There is nothing to suggest that they are irrelevant. Poor resource base, inactive membership, not so inspiring and enlightened leadership, inefficient manpower and above all ineffective management and practices are the major causes for the downfall of the co-operatives.

7.2 Government apathy and indifference to the plight of the co-operatives even with constitutional status accorded to the co-operative sector is also a major contributory factor for the weakness noticed in the major sectoral co-operatives. Some of the policies like debt relief to the farmers with short-term gains, had adverse impact not only on credit & banking co-operatives, but also on the future of credit delivery mechanism.

7.3 The Co-operative Societies Act is neither progressive nor conducive to the growth of co-operatives. The legislation should inspire confidence for promoting and developing co-operatives without excessive control of the bureaucracy and undue

political interference by the party in power. Legal framework should be one which facilitates and encourages co-operatives to develop on their own strength and result-oriented performance in a competitive economy.

7.4 The new emerging sectors like dairy co-operatives, co-operative books societies, producers co-operatives, artisans and handicrafts co-operatives and housing co-operatives hold considerable growth potential and need support of a liberal and progressive laws backed by well defined policy. Such a policy should aim at preserving the distinct co-operative identity, values and principles and spell out the role of co-operatives in every sector of the economy and contributions they are expected to make in the socio-economic development of the members and the community at large and to the economic development of the country. Support measures of the government and its commitment for ensuring development of the co-operatives are clearly defined in the policy and strategic time bound plans drawn to translate the policy into practice. Educating the members of the co-operatives for their active participation and involvement, orienting the non-official elected leadership to make them responsive and responsible for the needs of management and training of co-operative personnel at all levels to improve their knowledge, skills and efficiency for improved productivity are important areas which have not received due attention in ensuring development of co-operatives. The policy should pronounce reforms process for better management of human resources in the co-operatives particularly when they have to face formidable competition both from public and private sector enterprises in the liberalised economic era.

7.5 The funds generated in the CDF from the contribution of co-operatives, mandated by law, need to be utilised more judiciously in a transparent manner for the intended purposes of manpower development in co-operatives and other co-operative development activities. Co-operatives are suspicious of this institution as presently it is managed entirely by the co-operative department. It is desirable and necessary to transfer this task to a body of co-operatives at the apex level with regulations as to its management.

7.6 The policy also should specify the areas of support and nature of support which government would extend to co-operatives taking into account their socio-economic objectives. In the matter of taxation, resources for on lending purposes to agriculture and other rural economic development activities, training of co-operative personnel, capacity building measures of co-operatives, infrastructure development which contributes to development of co-operative enterprises, exemptions or concessions in regard to stamp duty & registration fees, guarantee on debentures, bonds and borrowings from market or from development finance institutions and upgradation of technology are some of the areas where government could extend support as a matter of policy. Such supportive measures are considered essential in the initial years particularly when co-operatives are less developed and found to be

weak and non-viable. Such support may eventually prove irrelevant when co-operatives are developed and attained viability as observed in some of the co-operatively developed countries.

7.7 Duality of control over the government sponsored and supported co-operatives nurtured by BRDB is an irritant which needs to be sorted out by reforms in the legislation. Registrar has the power to dissolve the management of co-operatives even without the recommendation of or in consultation with the BRDB which is strongly resented to by the co-operatives and BRDB. Similarly, seeking approval to the budget, which sometimes results in abnormal delays for no apparent and justifiable reasons, audit which is mandatorily conducted by departmental staff or by persons appointed by the RCS at a cost to the co-operatives, arbitrariness in deciding the quantum of profit for contribution to the CDF with a view to augment the funds, are some of the functions which by-pass the authority of BRDB. It is for consideration how these functions and authority could be divested from the department / RCS without diluting the overall responsibility regularity functions of Registrar in ensuring healthy growth of the registered societies serving the interest of the members.

7.8 Besides removing the various restrictive provisions of the Act, some of the developmental and promotional roles are also transferred to the national level unions / federations which are to-day found to be ineffective without resources and any assigned functions beneficial to the co-operatives. Strengthening the federal organisation and their role should also be specified in the law.

7.9 Without reforms in legislation and a clearly defined policy touching upon all the areas of co-operative development, co-operatives are found directionless as to their role and responsibilities in the socio-economic development of the country. Future of co-operatives in Bangladesh depends largely on government initiatives in these key areas. Equally important is implementation of any adopted policy by all concerned in a time bound manner to achieve the stated policy objectives.

JAPAN

1. BACKGROUND

1.1 Japan in East-Asia covers an area of 77,835 sq.km. of which 3,091 sq. km is covered by water with a coastline of 29,551 km. climate of the country varies from tropical in south to cool temperature in north with terrain rugged and mountainous. The arable land is thus only 12.13%.

1.2 The population of Japan is 127,200,000 with growth rate of 0.1% (2001). Density of population of 339 people per sq.km. is one of the largest in the world as another life expectancy of about 80 years. 85% of the population is Buddhist and other 16% accounts for other religions. Official language of the country is Japanese and is spoken by all.

1.3 Japan has constitutional monarchy with a parliamentary Government. Capital city of Tokyo is one of the largest populated capital cities in the world and with two other mega cities of Osaka and Nagaya accounts for over 40% of the total population of the country.

2. ECONOMY

2.1 Japan is the third largest economic power in the world next only to United States and China. However, it ranks second most technologically powerful economy after USA. With a rapid economic growth in 1960s, steady growth period in 1970s & 1980s it declined considerably later-on and in 2001 (GDP 4.1 trillion \$) growth rate was negative.

2.2 Agriculture is important for the economy of Japan for food security though its contribution to GDP is just 1.4% as against 30.9% by industry and 67.7% by service sector. The country is passing through a difficult period as far as economy is concerned due to recession. Its inflation rate is negative and unemployment rate is little over 55 in 2002.

2.3 Government attaches considerable importance to agriculture for ensuring adequate production and food security to its people. However, this primary industry has contracted with declining output except for stable production of rice, eggs, beef and milk. Due to globalization of economy and relaxation of barriers on imports, there has been a steady flow of agricultural products in the country with significant impact on domestic agricultural products.

3. CO-OPERATIVES

3.1 Co-operatives in Japan have a much longer history of existence than most countries in the Asia-Pacific Region. Relevance of Co-operatives to the farmers and

in the rural sector as also to the consumers at large even in a developed country like Japan is amply demonstrated by their strength and services in various sectors of the economy. Liberalized economic policies which has been rapid growth of the private sector and globalization of economy which has resulted in removing much of the trade barriers have not adversely affected the growth of the co-operative movement in Japan though they too experience the pressure. Co-operatives have positioned themselves to the situation by improving upon their competitive strength in the market economy and competing effectively with the private sector. Government policies and laws have also helped the co-operatives to maintain their identity and character as member-oriented and member-driven organizations. Government hardly controls and interferes in the operations or management of co-operatives except when financial irregularities are noticed or country's laws are violated.

3A. Agricultural Co-operatives:

3A.1 History of co-operatives in Japan can be traced back to the credit Unions established in 1843 by farmers for meeting their credit needs from resources generated by members from savings on principles of self-help and mutual-help which are corner stone of co-operative enterprises even today. Multi-purpose agricultural co-operatives are a force to reckon with covering almost all farmers in the country. Farmers are also organized in single purpose co-operatives in specific areas of production like dairy, horticulture, livestock raising and other specialized farming. Fisheries co-operatives are equally well organized in which not only fishermen but also the farmers who undertakes fishing activities are members. The structure of agricultural co-operatives in the JA (Japan Agricultural Co-operatives) group which have federated at prefectural level (intermediate level) and national level in relation to their sectoral business activities can be explained from the annexed Chart-I.

3A.2 Prefectural Unions of Agricultural Co-operatives (47) and JA-ZENCHU at the National level are non-business organizations of the Agricultural Co-operatives, the rest being business organizations in diverse areas of credit and banking, insurance, etc. at the prefectural and national level. JA-Zenchu is the Apex of the 3 tier structure of Agricultural Co-operatives functioning as the spokesman of the sector and represented as such at national and international levels.

3A.3 Declining number of multi-purpose agricultural co-operatives is mainly due to restructuring and amalgamation for viability, efficiency, etc. In 1961, the government passed the Agricultural Co-operatives Amalgamation Assistance Law and as a result, number of co-operatives declined from 11, 586 to 7320 by 1965. This process is going on even now and the existing number of 931, which is expected to go down to 482. Agriculture co-operatives at primary level is likely to decrease further in the years to come. This process of amalgamation has made the base level structure much more stronger, with better services and efficiency apart from financial viability.

3A.4 Agricultural co-operatives serve not only farmers but also non-farmers who could be associate members for availing benefits of credit and mutual insurance. Associate Members who account for 40% of the total members of JAs, however do not enjoy the right of voting in the co-operatives. JAs are engaged in various activities including farm guidance, marketing of agricultural products, supply of production inputs, credit and mutual insurance businesses.

3A.5 Apart from regular business activities the JAs have also taken several new activities in the recent years in order to help farmers who are facing innumerable problems of urbanization and weakening agricultural economy. These services includes (a)residential development and asset management; (b)comprehensive life and home centres; (c) public relations (mainly to increase consumption of rice and domestic agricultural products (d) welfare for the elderly (home-helpers and home health services); (e) organic agricultural and consumer relations.

3A.6 JA is committed to sustainable development of Agriculture and fulfilment of its Reforms and determined to pursue reconstruction of Japanese agriculture and revitalization of rural communities.

3A.7 JAs Membership is over 10 million. Average JA membership and operational figures are:

Average JA

Regular Members	:	15,300
Associate Member	:	9,210
Directors	:	39
Auditors	:	9
Employees	:	757

JA Operations

Savings	:	¥160.9 billion
Loans outstanding	:	¥47.7 billion
Marketing turnover (Farm Products)	:	¥12.9 billion
Supply turnover (inputs & consumption items)	:	¥10.9 billion
Owned Funds (Share capital + Reserves)	:	¥9.2 billion

3A.8 JA group is a very large family and employs about 3,20,000 at different levels. Its market share is substantial in many spheres of its activities. For examples, JAs savings account for 10% of the personal savings in Japan. In insurance, it is 14% for life and 17% for general insurance. In marketing, utilization rate is 96% for rice and other grains, 62% for vegetables and 49% for livestock products. These key indices show how strong and effective JAs are in the Japanese economy and socio-economic well-being of farming community. Its contribution to food production, food security, land conservation environmental protection, development of rural economy and preservation of landscapes and cultural diversity has made JAs the backbone of the rural economy representing the entire farming community of the country.

3A.9 JAs are governed by the Agricultural Co-operative Society Law of the Ministry of Agriculture, Forestry and Fisheries (MAFF). Under the framework of this law, the JAs principles are derived. MAFF is responsible for registration, supervision and audit of JAs and most of these functions are carried out through prefectural governments within the respective prefectures.

3B. JA-ZENCHU:

3B.1 JA-ZENCHU (Central Union of Agricultural Co-operatives) is the Apex Organisation of JA group. It represents Japan's agricultural Co-operative Movement and is the spokesman of the sector. Its primary objective is to establish management policies for JA and JA Federations in Japan, disseminate and support JA group policies and initiative and maintain the sound development of the co-operative system. It guides and provides information to the Prefectural Unions. It also helps and provides service in training JA members, Directors and employees at different levels.

3B.2 JA-ZENCHU's membership comprises of Prefectural Unions of Agricultural Co-operatives and their members and other national federations of JAs.

3B.3 JA-ZENCHU's basic policies are decided at the JAs national congress held once in three years. This congress is the most important forum of JAs for deciding the future policies, plans and strategies for the development of agricultural sector and to promote socio-economic interests of farmers in the country.

3B.4 Though a non-business organization of JAs, JA-ZENCHU plays a critical role in protecting and promoting the interest of farmers and their organizations from village to national level. It is independent, autonomous and financially self-reliant in as much as the members JA organizations for its operations.

3B.5 JA-ZENCHU has promoted the establishment of Norinchukin Bank with major investments coming from JA group organizations and Fisheries Co-operative Associations. This national financial institution not only provides funding support to the co-operatives, but also extends various banking services to them at national and international level. Bank's funds also flow to industrial development and also to local

public entities for environmental development projects of great importance for the country's socio-economic development. Like-wise insurance aim of JAs provide wide range of insurance product and services - both life and general.

3B.6 Yet another laudable role played by JA-ZENCHU is the establishment of Institute for the Development of Agricultural Cooperation in Asia (IDACA) with funds mainly raised from Agricultural Co-operatives. The main objective of this institution is providing of training opportunities to leaders and managerial personnel of the co-operatives in the developing countries for advancement of their activities in the rural sector and for development of the rural economy including agriculture. Several useful programme and training courses are organized by IDACA benefiting more than 4000 Government officials and co-operative leaders of agricultural and rural co-operatives of about 100 developing countries in the world. This support and service has been greatly appreciated and recognized at the international level by co-operatives for its impart in the area of human resource development of co-operatives and developing the business operations of co-operative credit and banking institutions in the agricultural and rural sector.

3B.7 JA-ZENCHU has maintained very close relations with various agri-co-operatives and farmers organizations in the world, besides its affiliation with the international organizations like the International Co-operative Alliance (ICA) and the International Federation of Agricultural Producers (IFAP).

3C. Consumer Co-operatives:

3C.1 While agricultural co-operatives are known by their identity as 'JA', consumer co-operative movement is known in Japan by their group brand name 'Co-op'. Co-operatives are equally strong in their business volume, outreach and diversity of operations. Consumer co-operatives do not believe in just providing consumer goods to the members through consumer stores, but also a variety of services and products which are essential in life and for livelihood. They are thus known as "livelihood" co-operatives. What JA provides to the farmers and non-farmers in the rural sector is matched by co-op. in the urban sector to the urban households. There are similarities in their services though not identical when compared to JAs operations. For example JAs provide credit services which is not permitted in the case of co-op. to their members by law. While there is distinction of farmer-members and non-farmer members in JAs, co-operatives differential in services between members and non-members. Non-members do not have access to certain co-op. services and products whereas farmer and non-farmer members of JAs can avail of all services / products of agricultural co-operatives.

3C.2 Apart from retail consumer co-operatives, there are university co-operative serving students and faculty, medical co-operatives providing medical services,

insurance co-operatives providing life and general insurance products, housing co-operatives providing houses and housing lots in the “co-operative” group. The structure of Japanese consumer co-operatives and members of Japanese Consumers’ Co-operative Union (JCCU) is better understood by the annexed Chart-II.

3C.3 In rental co-operatives, some are company’s co-operative like Toyota Motor Company, some others institutional consumer co-operatives like government and industries. However, they are becoming smaller and smaller in operations and number.

3C.4 While JA serves mostly rural sector, co-op. services are mostly confined to urban sector. Due to a process of strategic restructuring and reorganization, co-operatives are declining in number - from 587 in 2000 to 571 in 2002. With a membership of 21,566 thousand, it is estimated that about 1/3 of the Japanese households are members of co-operatives consumer trade in Japan is dominated by small traders. The total market share of co-op. despite huge volume of turnover (3265 billion Yen in 2002) is a mere 2.73%, whereas food products account for 5.6%. The market share of 2.73% is more or less equal to the biggest private sector retail store in Japan.

3C.5 According to Government statistics, there were 1504 societies in 2001 which means several societies are not members of co-op. group and some are dormant societies.

3C.6 In “Coop”, neither Government holds equity nor other institution. The entire share capital of 558 billion Yen has come from members which works out to 25,866 Yen per member.

3C.7 Consumer co-operatives have a separate law known as consumers’ livelihood co-operative society law under the Ministry of Health & Welfare enacted in 1948 with several amendments carried out in the subsequent years. Government has decentralized the powers and thus the prefectural governments register the primary co-operative and supervise them. Beyond the prefectural area, Co-operatives Federations / Unions are regulated by the Central government. Co-op. have 10 regional business federations which are controlled and supervised by Regional Bureaus of the Central Government. This is a new development in administering the Co-operatives in Japan.

3D. Japanese Consumer Co-operative Union - JCCU

3D.1 JCCU established in 1951 is the Apex of consumer co-operatives in Japan and is a strong organization providing a variety of services to the member-organisation and undertaking various business operation not only in China but also outside with 3 overseas offices in USA, China and Singapore. At the national level it is the spokesman of the consumer co-operative movement and represented at international level with its

membership of ICA.

3D.2 The broad functions of JCCU are:

- (i) formulation of national co-operative policies;
- (ii) coordination of member activities;
- (iii) representing co-operative views at national and international levels;
- (iv) supply of co-op. brand products;
- (v) foreign trade;
- (vi) other business operations - insurance, travels, etc.; and
- (vii) guidance to members on management and education and training to staff through distance education systems, etc.

3E.1 JCCU, JA-ZENCHU and other National Federations have come together informally at the national level by constituting Japan Joint Committee of Co-operatives (JJC) which is the coordinating body for the common problems and issues concerning co-operatives in Japan. JJC is expected to fill the gap, though only to some extent, created due to non-existence of the National Apex body representing all sectors of the economy.

4. GOVERNMENT AND CO-OPERATIVES

4.1 Co-operatives in Japan come under different ministries with distinct sectoral laws. Government is fully supportive of co-operative endeavour. Co-operatives have developed well is an indication of Governments policy to encourage and support co-operatives to fulfill their tasks. Changes in the Government's economic policies and other reforms measures to prop-up the economy have not adversely affected the health and development of co-operatives particularly in the major sectors of agricultural co-operatives and consumer co-operatives. Co-operatives have faced the competition and challenges well by appropriate capacity building measures.

4.2 Some of the Government supportive measures are:

- (i) Amendments in laws as and when necessary to strengthen the co-operatives and their managements.
- (ii) In 1960 there were 12,000 agricultural co-operatives. Through a process of amalgamation this number was brought down to 900. This was facilitated by

the government by enacting Amalgamation Promotion Law which in effect reduced the taxation burden of co-operatives when assets are transferred.

- (iii) Though Government did not contribute to the equity of the co-operatives, subsidy was given not to the co-operatives but for their services to members like in the case of agricultural co-operatives. Funds provided for infrastructure / construction beneficial to farmers. In no way it is a subsidy to sustain the business operations of the co-operatives.
- (iv) For marketing of agricultural produce, Government provides subsidy to the extend of 50%, Prefectural Unions have to meet 30%, Primary Co-operatives 10% and the rest 10% by farmers.
- (v) Co-operatives enjoy certain tax concessions. Thus, reduced tax burden on co-operatives. For example tax rate for co-operatives on profits is 22% while for other 30%. There is also no registration taxes to co-operatives. Co-operatives enjoy exemption from stamp duty on securities mortgages and other documents. Agricultural co-operatives are exempted from property tax while others pay 1.5%.
- (vi) Government avails the services of the co-operatives on agency basis to provide certain services to farmers.
- (vii) Though co-operatives have not gone for any collaborative arrangements with private sector, to establish economic entities, collaboration with private sector is facilitated in certain major and important areas like food.
- (viii) Though co-operatives come under different Ministries of the Government with different sectoral laws, there appears to be perfect understanding between different ministries as to their functions which are well defined. Amendments in laws are made only after due consultation with concerned Ministries. For example, credit services of the agricultural co-operatives are discussed and coordinated with the Ministry of Economy. Co-operatives have not encountered any major problems concerning the law or Government regulations.
- (ix) Government conducts audit of co-operatives but without charging any fees.
- (x) Some financial support is provided to co-operatives for their training and education activities by the Central government as also by local government. Such assistance is, however, small.
- (xi) Local Governments provides funds as loan to co-operative for Revolving Fund. Relations between co-operatives and Government are apparently very cordial and Government does consult co-operatives before changing the law, policy

and procedures. However, there are certain areas of differences and co-operatives do feel the control and interference of the Government. There are also differences in perception of interpretation of certain regulation and provisions of law. Policies are generally supportive of co-operatives endeavour to realize the socio-economic advancement of members and the community at large contribution of co-operatives in this sphere is well recognized and appreciated by the Government.

5. CO-OPERATIVE LEGISLATION

5.1 The system of legislation for co-operatives is somewhat different in Japan when compared to most other countries of the region. There are sector specific laws in Japan for banking, consumer trade, agricultural, fisheries, housing, forestry, etc. Even within the same Ministry, there are different legislations for different activities. There is nothing like a law for the co-operatives as a whole at the national or provincial level. These sector specific or trade specific laws are administered both by the respective ministries or through the provincial / local Governments. This has so far worked satisfactorily without any major impediments in the growth of Co-operatives in Japan.

5.2 Laws are found to be fairly liberal to protect the autonomy and democratic character of the co-operatives. There are however certain provisions in the nature of restrictions.

5.3 Agricultural Co-operative Society Law of 1993 under Ministry of Agriculture, Forest and Fisheries (MAFF) has five major sections. In the last decade, law was amended frequently almost every year to meet the changing needs of reforms. Major changes were made in 1992, 1996 and 2001. Changes made in 1992 were mostly related to management system. System of Board Directors was adopted in the 1992 amendments. Directors and Auditors under the changes made in Law are elected by members at the General Body Meetings of Co-operatives. To induct professionals in the management at the prefectural and national levels, 2/3 of the Directors are elected from members and 1/3 from non-members. At the local / primary level however all are elected from the members. In the amendments made in 1996, more than 1/3 of the auditors elected should be non-members mainly because credit business transacted by agricultural co-operatives needs professionals for audit.

5.4 Certain amendments made in the Act about the management of co-operatives were at the behest of the co-operatives, public and the society because there were social concerns about bad loans, overdues, etc. advanced to housing. Since public funds were invested in agricultural co-operatives, there was need to strengthen internal audit.

5.5 In 1998 certain amendments were made in relation to financial system reforms

as a part of comprehensive financial reforms measures. Amendments of 1998 covered not only agricultural co-operatives but also banking co-operatives. They related to disclosure of financial statements failing which co-operatives are subjected to severe penalties. Disclosure should cover loans, securities, debt liabilities, capital fund related figures like percentage of capital to total assets etc in the balance sheet. Capital adequacy norms is 8% to national level bank (Narinchukin), 4% for Prefectural Credit Unions and 4% for co-operatives at the base level.

5.6 The other important law for the major consumer co-operatives sector is Consumer Livelihood Co-operative Society Law enacted in 1948 with several amendments thereafter. This comes under the Ministry of Health and Welfare. Government powers / functions under the law are mostly confined in by-laws, inspection, dissolution, provision of guidance and issue of guidelines to co-operatives for inspection carried out by the Government either directly or through the local Governments. No fees are charged and covers business operations, administration, accounts, etc. spreading over just 1 or 2 days.

5.7 There is no legislation relating to accounting standards for consumer co-operatives mainly because they are not permitted to undertake credit operations. JCCU has evolved its own accounting standards to be followed by member co-operatives.

5.8 Periodically, whenever necessity arise, government appoints Advisory Committee on deciding certain important issues concerning co-operatives. Such a committee was last appointed in 1998. But for this, there are no formal arrangements for discussion or decisions between in co-operative undertakes jointly certain environment friendly activities.

5.9 Though there were no major changes made in the Act of 1948 applicable to consumer co-operatives need has arisen to take into some of the existing provision which are considered restrictive or obstructive JCCU has started discussions on these issues for changes in the legislation. They related to:

- (i) **Business area** : There are several limitations in the law concerning business operations of coop. Co-op's area of operation is restricted to prefectural level and need has arisen to go beyond.
- (ii) **Political** : Presently there are limitations of providing service of coops to non-members and permission of the Government is necessary to do so.
- (iii) **Business activity** : Co-ops are not allowed to provide credit and undertake credit related activities to their members.
- (iv) **Membership** : Member of one prefecture cannot become members of another

Prefecture in consumer co-operatives.

- (v) **Non-Member** : Non-members are not able to avail certain services of the consumer co-operatives.
- (vi) **Administration** : Size of coop. is growing both in membership and business due to amalgamation. Decision making therefore has to be prompt and implementation fast.
- (vii) **Management** : Members of the Board and Audit-Committee are mostly housewives. They lack expertise and experience. Auditors are not able to perform the task efficiently and detect financial irregularities in the coops. They are required to compensate for their lapses.
- (viii) **Auditing** : The question has arisen as to the effectiveness of audit by the elected members.

5.10 Apart from the above, certain guidelines issued by the Government in accordance with provision of law are found to be difficult to observe. For example, law stipulates that delegates of the co-operatives at the General Meeting should be more than 100 for which guidelines are issued prescribing number of delegates in a slab system ranging from 100 for 5000 members and going upto above 500 for 1,00,000 members. The number of delegates prescribed by rules is too much mainly because people are not interested as they have no time to spare for co-operative activities. Even to find Board Members willing to accept the responsibility is at times a problem for coop. This has led to a situation where delegates and board members in coops are more often selected and approved by members rather than elected democratically involving contest.

5.11 In no co-operative law, one would find mention of co-operative values or principles as adopted by ICA, but law reflects such values and principles. Government is however willing to incorporate the values and principles in the law itself as adopted by ICA.

5.12 Government in Japan is always amendable to changes in law based on experiences and exigencies of changes in the economy and business environment of co-operatives. Co-operatives thus do not encounter any major problem concerning laws and reforms thereto.

6. CO-OPERATIVE POLICY

6.1 There is no stated policy as such adopted by the Government in Japan applicable to co-operatives. This is mainly because there are several laws for sectoral co-operatives under different Ministries of the Government. Each ministry has its own policy and

role of every ministry is clearly defined. For example, the Government policy on agriculture incorporates the policy on agricultural co-operatives.

6.2 Because of the above system of law and policy, the Government does not find it necessary to evolve any common national policy for co-operatives in Japan. Government would prefer continuance of the present practice of sector specific policies which are part of the overall policy of the Government for different sectors of the economy. Even co-operatives have not felt the necessity of one common policy applicable to all co-operatives as sectoral policies adequately take care of their interest and development.

7. CRITICAL CONCLUSIONS

7.1 Co-operatives in Japan in major sectors like agriculture, consumer trade, banking and credit, insurance and fisheries are strong and have substantial market share. They have grown in business volume, membership, market share, etc over the year and have a strong base in the economy. Their contribution to the socio-economic development is amply recognized by the Government and encouraged, supported and guided to achieve the objectives.

7.2 There are not many conflicting areas between the co-operatives and the Government nor there are differences in the policy framework of the Government and the co-operatives.

7.3 Changes in the economic scenario due to liberalization, globalization and WTO related agreements as also recessionary trend in the economy since last 3 years have impacted adversely, the growth of the co-operatives in most of the sectors. Growth in the Business Volume has stagnated and even shrunk. Small co-operative at the base level are finding it difficult to maintain their viability and service efficiency. More and more amalgamation of co-operatives taken place for economics of scale, viability and to maintain the financial norms and standards prescribed by the government. For example, the present strength of agricultural co-operatives numbering about 900 are expected to go down in a couple of years to 500. Consumer co-operatives number is also shrinking. This appears to be the global trend.

7.4 Changes in Co-operative Law is an on-going process in Japan with frequent amendments taking place keeping pace with economic reforms and changing socio-economic conditions. Certain changes in laws, particularly concerning co-operatives (Consumer Co-operatives) are found necessary as discussed elsewhere in this report. Such changes are to be expedited through a process of mutual consultation.

7.5 Though it is said that Government consults the co-operatives on legislation,

policies and regulations applicable to co-operatives, arrangements for consultations are of an informal nature. The system would require a change and it would be desirable and even necessary to formalise this consultation process by establishing sector specific coordination committees/standing committees/consultation committees which could meet periodically for discussing the problems or policies. Such an institutionalized consultative mechanism should necessarily have adequate representatives of co-operatives.

7.6 In Japan, co-operative laws do not find a place specifically in regard to co-operative values and principles. It is desirable to incorporate them suitably.

7.7 Any rules framed under the laws should have enough operational flexibility. Further, rules are drawn or amended often after consultation with the co-operatives.

7.8 Strong co-operative relations and collaborations are desirable for mutual benefits and development. Opportunities for such collaboration between sectoral co-operatives have not been adequately explored. Cooperation among co-operatives is a value needs to be pressured and practised rigorously.

7.9 Co-operatives are facing an unusual problem of member involvement and member participation in co-operatives even in an advanced society. People perhaps just do not have time for serving the co-operatives and hence housewives are mostly managing the co-operatives as delegates, directors, auditors, etc. There is hardly any context in election. How to reverse this trend to develop non-official leadership in co-operative is perhaps a problem area requiring examination and discussions.

7.10 Internal audit conducted by the elected auditors of co-operatives, who need not be experts in accounts and finance appears to be ineffective. The existing practice may need changes and even discontinuance if by experience it is found to be ineffective and purposeless. This would not however mean discontinuance of internal audit system but strengthening it through alternative system.

7.11 In Japan there is no Apex institution representing all sectors of the co-operatives. There are, however, sectoral federations like JA-ZENCHU and JCCU representing agricultural co-operatives and consumer co-operative respectively. Perhaps co-operatives do feel the need of an Apex organisation which could be the spokesman of the movement nationally and internationally. However such an organisation has not been established and there appears to be no thinking and move in that direction. Every national federation of the sector plays that role in isolation though an informal arrangement has been established in the form of Japan Joint Committee of Co-operatives (JJC). It consists of 7 sectoral national federations. It is desirable either to institutionalise this arrangement or establish a separate organisation of co-operatives at the national level as existing in most countries of the region.

CHART-I
Japan Agricultural Co-operative (JA) GROUPS

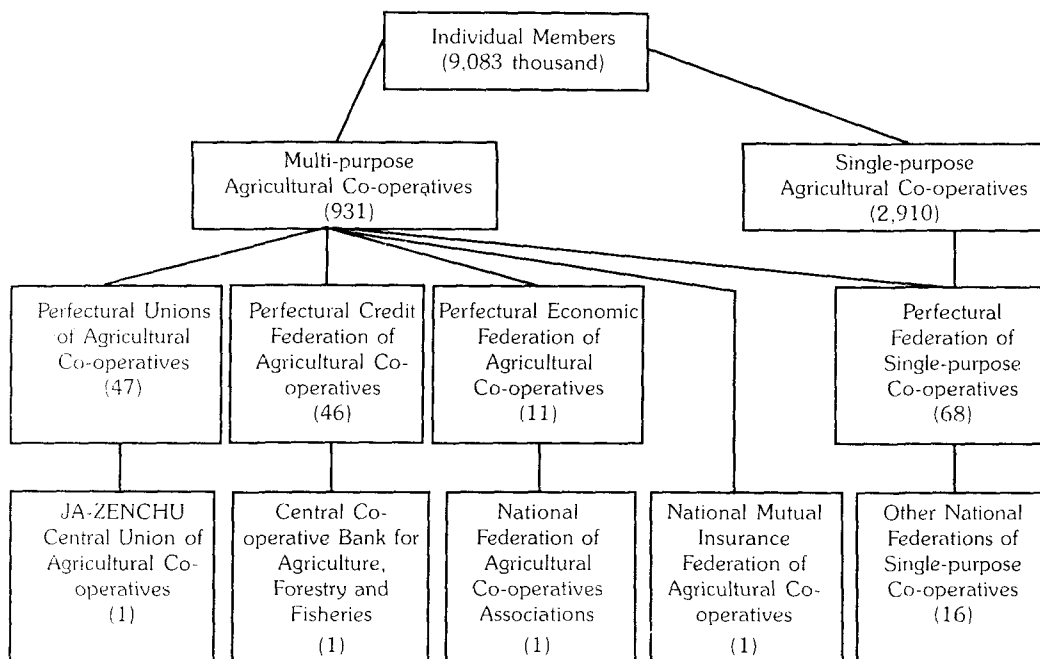
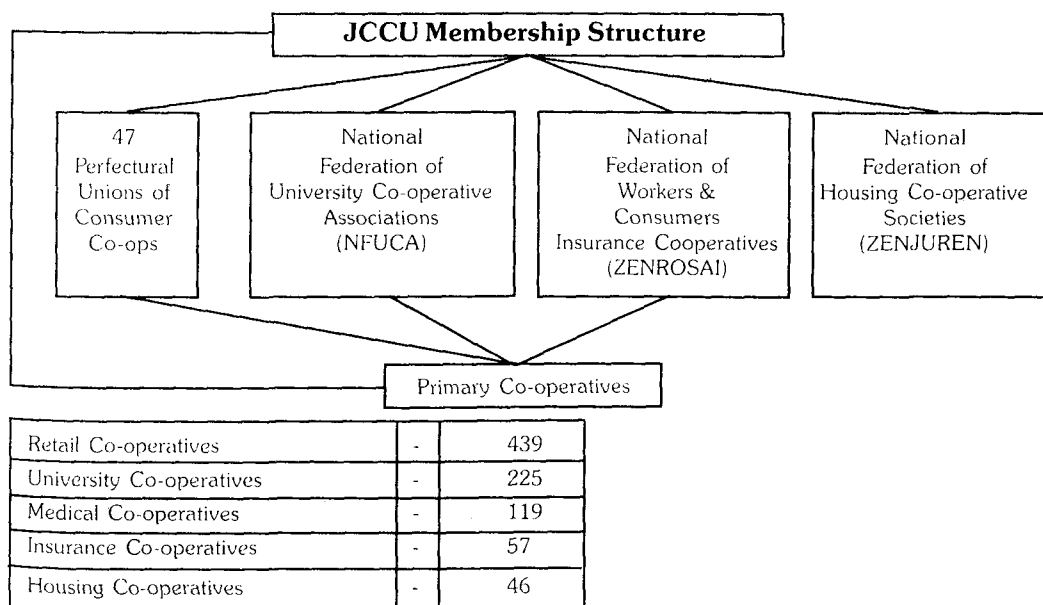


CHART-II
Japanese Consumers' Co-operative Union (JCCU) Membership Structure



CHINA

1. BACKGROUND

1.1 People's Republic of China is the third largest country in the world with area of 9,596,960 sq.km. It has also the world's largest population of 1.25 billion of which 80% are farmers. The language, Mandarin is spoken by most people - about 70%. The other major language is Cantonese. The country's capital is Beijing with a population of 13.8 million. The People's Republic of China officially recognizes 57 distinct ethnic groups, the largest being Han Chinese constituting about 92% of the total population.

1.2 The government in China is Communist Republic. In the decentralised governance, 31 provinces have provincial governments.

2. ECONOMY

2.1 China is 2nd largest economy in the world next only to US with per capita GDP of \$4600. Its economic growth rate has been rapid at the rate of 7.8% and GDP at US\$ 4.5 trillion. Both agriculture and industry have posted major gains. Rural economy depends on agriculture and its contribution to GDP is 18% while it is 49% for industries. Main agricultural products are rice, wheat, potatoes, tea, millets, cotton, oil seeds, groundnuts, pork and fish. Major industries are iron & steel, coal, textiles, petroleum, cement, chemicals, fertilizers, toys, electronics, food processing and apparel. Government has liberalized the economy resulting in considerable inflow of capital contributing substantially to country's economic growth. It is estimated that about 10% of the population is below poverty line and another 18% are poor with income below US\$ 1 per day. Inflation rate of consumer prices in 2002 is estimated to be negative at (-)0.8%. In the recent years, tourism industry has been growing rapidly which too has added to the country's economic growth.

3. CO-OPERATIVES

3.1 Co-operative movement in China has a history of over 8 decades though development took place only after 1949 on the formation of People's Republic. However, substantial growth of co-operatives took place after the reforms in the economy from the beginning of 1980s. Backbone of the co-operative movement in China is the supply and marketing co-operatives undertaking a variety of functions. 80% of farmers are members of supply and marketing co-operatives. These rural co-operatives have a substantial market share of about 70% in the domestic input supply market and cotton marketing in the country. Hence their importance in the rural economic development.

3A. **National Federation** : All China Federation of Supply & Marketing Co-

operatives (ACFSMC) is the national apex of supply and marketing co-operatives in the country. It is a powerful organization employing about 1.9 million people at different levels of the structure. As the Apex of supply and marketing co-operatives, ACFSMC is recognized as the spokesman of the movement both at national and international levels. It is an important affiliated member organization of the International Co-operative Alliance (ICA). Co-operatives are important in the rural sector because of government policy to ensure growth of agriculture, industrialization in the rural areas and concern to attend to farmers' problems for ensuring growth of their income. Co-operatives therefore are encouraged, supported and looked after with financial and policy support. Co-operatives have emerged as an important link between farmers and the government. The general structure of co-operatives at 5 levels comprise of (i) primary co-operatives (26,000); (ii) county federations (2376); (iii) city federations(335); (iv) provincial federations (31); and (v) The All China Federation of Supply and Marketing Co-operatives. Besides, there are over 50,000 business entities of different kinds and sizes like plant protection institutions and crop hospitals.

3B. Provincial Federation : A study of the co-operatives in the Shanxi Province and discussion with the co-operative leaders and government officials at the capital city of Taiyuan reveal the following status of co-operative structure and its operations :-

3B.1 Shanxi province will soon have the distinction of being the first province in China when a legislation for supply and marketing co-operatives is enacted by the provincial government. The law making process is in an advance stage of approval by the Provincial Peoples Congress.

3B.2 Shanxi is an agricultural province with 32 million population of which 80% are farmers. The province consists of 11 cities and 119 countries. It is economically less developed but rich in coal deposits. Provincial co-operative has a 50 years history. There are 11 district level and 120 county level and 1496 primary level co-operatives operating in the province providing much needed pre-production and post-production services to the farmers. Total turnover of the co-operatives is 11.25 billion Yuan. Farmers pay for most of the services, which are mostly non-financial. For financial services like credit and savings, they can be members of the credit unions. Supply and marketing co-operatives are seriously considering undertaking of financial services to the members.

3B.3 The provincial federation, a non-business federation of all co-operatives, is a member of the All China Federation since 1955. Initially co-operatives undertook only purchasing and supplying of inputs. In this business they incurred losses which ultimately government subsidised. In 1996 provincial government issued a policy document encouraging co-operatives to organize into specialised co-operatives and

establish wholesale markets for agricultural products. Some financial support was also made available for trade and net-working. Co-operatives provided training to co-operatives for improving the knowledge and skills through the numerous training institutions.

3B.4 Co-operatives raise their capital from the members and there is no government holding in the equity of co-operatives. Co-operatives are managed democratically by elected members adhering to the principle of one member one vote. While internal audit is undertaken by the Board of Supervisors, social audit is conducted by professional auditors. Co-operatives follow national regulation of accounting system. Management of the co-operatives is responsible for good governance and attracts penalty for lapses by way of compensating the losses.

3B.5 Supply and marketing co-operatives in China are a part of planned economy. They are, in the absence of a law, are registered like any other business enterprise, with the industrial and commercial department of the provincial government. Governments at the national level and provincial level have always encouraged and supported supply and marketing co-operatives. In 1982, central government document included rural economic reforms in which certain tasks as a matter of policy were entrusted to co-operatives. Provincial government's document No.17 of 1996 provides for helping the supply and marketing co-operatives besides encouraging them to organize for providing services to the farmers. Government took initiative in 2001 for a co-operative legislation for providing them a distinct identity and legal status. In 2002, the co-operative legislation became a part of government agenda which was subsequently passed by the government. However, to become a law it needs approval of the Provincial Peoples Congress and so, listed for the 2003 congress. The province, when the legislation is approved, will have the country's first distinct co-operative law.

4. GOVERNMENT AND CO-OPERATIVES

4.1 Co-operatives in China are an important link between the farmers and the government. It is for this reason, government implements its agricultural policy through co-operatives for developing agriculture and to attend to the needs of farmers. To a great extent, farmers' problems and grievances are attended to by the government. Government is therefore supportive of co-operative efforts to promote agricultural development and development of the rural economy. Co-operatives in their task of providing pre-production and post-production services have made a distinct mark in the country's economic activities. To some extent, it can be said that, co-operatives in the rural sector and for agriculture enjoy a monopolistic status and thus are found indispensable. Co-operatives can always count on government support - both policy and financial - as long as they perform the tasks entrusted successfully.

4.2 Co-operatives at the provincial level are regulated by the government even

though there is no separate co-operative legislation. Government policy for co-operatives is an integral part of the government policy for agriculture and rural development. The position is same at the central and provincial government levels in the country.

4.3 Government has no policy to provide equity to co-operatives but other support measures include policy support and financial support in the form of :-

- (i) Policy authorizing co-operatives to perform certain basic functions of providing agricultural inputs for production and marketing of farm products of farmers.
- (ii) Funds provided to provincial governments and through them financial assistance provided to co-operatives in the province.
- (iii) Support for training members and employees of the co-operatives.
- (iv) Co-operative leaders are deputed to specific schools for training with funding support of the government.
- (v) Co-operatives enjoy certain tax concessions.
- (vi) Financial support is provided to the federations at the provincial and national levels.

4.4 Government is committed to ensure development of co-operatives in the country with a view to sub-serving the socio-economic interests of farmers and to ensure growth of rural economic development including rural industrialization and employment generation. Relations between co-operatives and the government are found to be cordial and conducive for growth of co-operatives in the country.

4.5 National government's policy is to facilitate provincial legislations for co-operatives which will be in the form of detailed guidelines for co-operatives and management. Based on experience, national legislation is proposed to be enacted which will be more detailed and comprehensive with general provisions. Presently both national and provincial governments regularly issue guidelines, in the absence of law, to co-operatives in the form of memorandum on operational aspects, business activities and on administrative / management aspects.

5. CO-OPERATIVE LEGISLATION

5.1 For over 8 decades, co-operatives in China have been operating without any formal legislation governing their operations.

5.2 In the constitution of the People's Republic of China, in article 8, co-operatives are characterized as a collective nature of organization. Such a provision has enabled governments at the central and provincial levels to promote, support and guide the co-

operatives particularly in the rural sector touching upon farmers and agriculture. Today supply and marketing co-operatives at the primary level, secondary level and at the national level are quite strong and active providing all needed services to the farmers for ensuring growth of agriculture and rural economy and to enhance the income level and living conditions of farmers and other rural population.

5.3 Co-operatives, as business enterprises, are governed by general law though they are treated differently by policy guidelines and other supportive measures. They are registered for doing business with the industrial and commercial departments of the provincial government. Operations of the co-operatives are regulated by issue of guidelines / circulars / memoranda - both by the national and provincial governments, from time to time. The system, despite certain shortcomings, has worked well so far though the need is felt for legislative governance of co-operatives and for according special legal status to them. Law is also intended to preserve their identity and values and to ensure their operations in accordance with universally accepted co-operative principles.

5.4 In China, process for co-operative legislation has been on the agenda of the central and provincial governments for some years though concrete action is initiated only in the recent past. National government has, in the first instance, encouraged provincial governments to go for legislation at the provincial level. The co-operative law at the national level is expected to be taken up by 2006 after gaining experiences of provincial laws. It is not clear what precisely the demarcating line as to the authority and control of the national government and provincial governments over the co-operatives. In the political system of China, this aspect perhaps is not a major concern as in other federal democracies.

5.5 Initial process for co-operative legislation commenced in 2001 with the encouragement and support of the central government. This process for co-operative legislation is on in the four provinces of Shanxi, Jiangru, Xinjiang and Jilan and in Shanxi, it is in an advance stage of enactment slated in the agenda of 2003 of Provincial People's Congress. The draft legislation is not an accessible document and is in Chinese. However, major features of the legislation, appears to have been finalised and approved for placing before the Provincial Peoples Congress, as ascertained during discussions with cooperators of Shanxi province and certain other concerned officials of the government, are briefly highlighted below:-

- (i) Responsibility of supply and marketing co-operatives is specified in the act for helping the farmers and provision of services to them.
- (ii) Legislation is confined to only supply and marketing co-operatives.
- (iii) Co-operatives will be voluntary organisations with voluntary share. (Explanation: Membership with share holding is voluntary).

- (iv) Co-operatives to comply with co-operative principles (Article 5).
- (v) Co-operatives to cover new areas (Article 23).
 - a) Agricultural by-products (processing).
 - b) Services-rural markets.
 - c) Technology transfer and technical training.
 - d) Health care, library and scientific education.
 - e) Other services for agricultural sector.
- (vi) Main business of supply and marketing co-operatives will continue to be pre-production and post-production services to farmers.
- (vii) Legislation will spell out inter-co-operative relations.
- (viii) Co-operatives will secure a distinct legal status. Article 23 will specify legal aspects.
- (ix) Article 17 will deal with accounting and auditing of co-operatives.
- (x) Article 28 relates to penalties for management lapses which include compensation for losses and punishment.

5.6 The proposed law at the provincial level was proposed by a team of government officials, representatives of co-operatives and legal experts. Law was made public seeking public opinion and views. Provincial Co-operative Federation also discussed the legislation in their Board Meeting. Since the legal foundation of the proposed legislation is strong, it is felt, it may be difficult to check the resolution at the Provincial Peoples Congress.

5A. **National Level :**

5A.1 There is no co-operative law at the national level in China presently. However, relevant laws of the government have provisions for agricultural co-operatives. A civil code is being drafted which too will have provision for co-operatives. The objective of the proposed legislation is to stabilize the policies of the government.

5A.2 A decision has been taken by the National Peoples' Congress (NPC) at the 10th congress to formulate a co-operative law. Legislative office of the NPC and officials of the agricultural department of the government have come to agreement in drafting the law. This law will include regulation of rural as also the specialised co-operatives in the country.

5A.3 The legislation which is expected to come before the NPC in 2006, will include

- (i) Nature of rural co-operatives as farmers economic organization.
- (ii) Legal position of co-operatives.
- (iii) Distribution system.
- (iv) Relationship between rural co-operatives and local governments.
- (v) Relationship between rural co-operatives and village committees (self-governing body).

5A.4 Since farmers' co-operatives and other rural co-operatives are not evenly balanced, the law will take into this aspect for a balanced and coordinated development of all co-operatives in the rural sector.

5A.5 The law at the national level is expected to be drafted in the international context as to the principles and identity.

6. CO-OPERATIVE POLICY

6.1 In China, co-operatives mean supply and marketing co-operatives for farmers, agriculture and for rural economic development. Developing the farm economy and augmenting the income level of farmers and improving their living conditions are priority areas of the government and finds appropriate place in its developmental plans and economic policies. Therefore, both the government and the party bestow proper attention on co-operatives and ensure their successful operations and development. It can be said that co-operatives are actively involved in implementing the socio-economic policies of the government in the rural sector.

6.2 The stated position has given an impetus to co-operatives to grow and carve a niche for themselves in the country's socio-economic development. Sustainable growth recorded in China in the agricultural sector both in productivity and output is directly related to co-operative endeavour supported by appropriate policy, encouragement and assistance of the national and local governments.

6.3 As of to-day, there is neither a co-operative legislation nor a clear, well defined and comprehensive formal national policy touching upon all sectors of co-operatives. This has, however, not adversely affected the rural co-operatives growth. This does not underscore the importance and necessity of legislation or policy.

6.4 The government is fully aware of the position and need to evolve appropriate legislation to give them the distinct identity and legal status in the fast changing economic structure and policy reforms pursued in the recent years. In fact, such reforms and policy changes have immensely benefited the economy and development process in

the country. It is perhaps one of the fastest growing economy in the region, if not in the world, as economic indicators reveal.

6.5 There is no ambiguity in the policy as such, as far as rural co-operatives are concerned. Government policy for agriculture, farmers as also for rural sector encompasses its plans and programmes towards co-operatives both at the levels of national and provincial governments. It is in the agenda of the NPC to draw a national co-operative law which is part of the party's policy for co-operatives. Drafting of law for co-operatives has been made as a working programme of NPC.

6.6 Government in China has drawn policies governing the operations in China but has not drawn definite plans / programmes to convert some of these policies into law which is more stable. The policy documents, circulars and guidelines drawn by the government periodically reveal the following major aspects concerning the co-operatives:

- (i) Nature of supply and marketing co-operatives.
- (ii) Reforms and developments in the rural areas.
- (iii) Strengthening of rural economic systems.

6.7 The principles of reforms applicable to supply and marketing co-operatives broadly cover:-

- (i) collective nature cannot be abandoned;
- (ii) delivery services to co-operatives cannot be abandoned;
- (iii) equity, democracy, mutual benefits and cooperation should be observed;
- (iv) basic function of the supply-marketing co-operatives should be shifted to integrated trade so as to provide comprehensive services to farmers;
- (v) supply-marketing rural co-operatives should be seen / viewed as autonomous economic enterprises; and
- (vi) higher level co-operatives in the structure should deliver services to lower level co-operatives.

6.8 The policies and regulations for co-operatives are mostly decentralized at the level of provincial governments. In 1982, the party's central committee issued 4 policy circulars on development of agricultural co-operatives. In 1985, state council issued circular on strengthening the reforms in co-operatives in which the role and responsibilities were made clear. In 1999, yet another policy circular was issued focusing on co-operatives. In 2003, at the 3rd plenary session of NPC, as a matter of policy, reforms in co-operatives were highlighted.

6.9 Chinese government policies towards agricultural co-operatives clearly biased in favour of co-operatives for sustained rural economic growth. The government policies are however not conducive for organization and development of co-operatives in other sectors of the economy and for emergence of new generation co-operatives in China.

7. CRITICAL CONCLUSIONS

7.1 In the Chinese economy, rural co-operatives are a part of rural economic development. They enjoy almost a monopolistic status looking to their dominance as service providers to farmers. Their growth is directly linked to agricultural growth and vice-versa. They pursue the policies of the government as to their business operations and social responsibilities. In no way policies are independent of government policies.

7.2 Co-operatives are autonomous and managed democratically. They also observe other co-operative principles including concern for the community. Autonomy, however, is limited by government guidelines and policies. Co-operatives, being democratic, are apparently by member-driven; but following the government policies and guidelines, make them government-driven.

7.3 Co-operative legislation is non-existent in China but steps are being initiated for legislation beginning with rural co-operatives at the level of provincial governments. The first such law in China is slated for enactment in the Shanxi province this year followed by 3 other provinces in the near future. The process for framing a national law for co-operatives has also been initiated and likely to be formalised only by 2006. The government approach, guided by the party, appears to be one of cautious intent rather than directed by needs of the sectoral economy or demands of the co-operatives. In the reverse process of approach for legislation, provinces are expected to enact co-operative laws followed by enactment of national law after gaining experiences of the impact of local laws on co-operatives.

7.4 Policy for the co-operatives at the national and provincial levels is not in place in the country spelling out the objectives, role and place of the co-operatives in the economic development of the country. This, however, does not mean that co-operatives are not regulated and guided by the policy. Policy guidelines for rural co-operatives and circulars for their operations are issued periodically consistent with the changes in the government policy for agriculture and farmers. Such policies, directed towards co-operatives, are mostly formulated at the level of local governments.

7.5 Co-operative development in China is lopsided in much as concentration is primarily on rural co-operatives biased in favour of farmers. This policy, justifiably, is driven by the fact that agriculture is important for livelihood for a majority of population and potential for growth of agriculture is immense heitherto not fully explored and exploited. This does not minimise the importance for emergence of co-operatives in

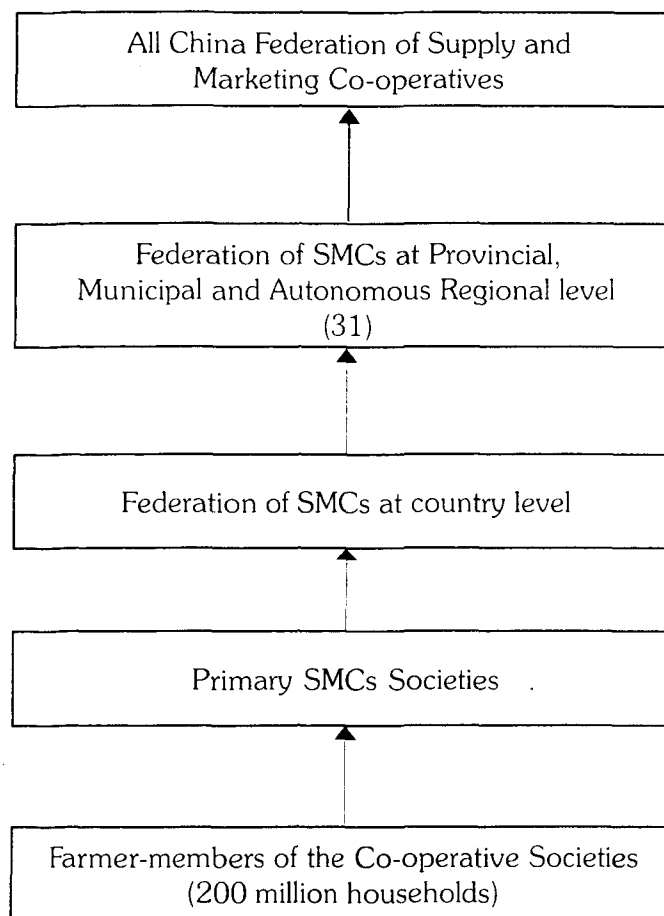
other major sectors of the economy. Imbalance in the growth of sectoral co-operatives needs correction by encouragement and policy support for new generation co-operatives.

7.6 Policy precedes legislation in China while the trend elsewhere in most countries of the region is just the opposite. To formulate a legislation for co-operatives is also a policy. Whether legislation to be framed for co-operatives should draw strength from the policies drawn for co-operatives or legislation should guide the policy is a contentious issue worth debating to draw lessons.

7.7 While the process for legislation for co-operatives at the national and local levels is on, it is not comprehensive in coverage as these laws are meant only for rural co-operatives - supply and marketing co-operatives. One has to wait longer for a legislation for organisation and development of other sectoral co-operatives in China. May be China will adopt sector-specific laws on the model of Japan.

7.8 Co-operatives in China is a success story of organisation of farmers for their mutual benefits. Government policies, agricultural development and growth of supply-marketing co-operatives are inseparable links of this success.

CHART
ORGANISATIONAL STRUCTURE OF
CHINA SUPPLY AND MARKETING CO-OPERATIVES



COUNTRY REPORTS
COOPERATIVE POLICY AND LEGISLATION

COOPERATIVE POLICY AND LEGISLATION

INDIA

PART-1: CO-OPERATIVE POLICY:

1. Policy is nothing but a written statement containing the expression of interest, will, intentions, purpose, objective and goals alongwith the ways and means to achieve or reach the same. The cooperative policy, hence, ought to have all or many of the above mentioned ingredients. In India, the formulation of cooperative policy before independence failed to gain the required momentum for obvious reason that the entire control of the nation was at the hands of alien country whose primary objective failed to match up with domestic interest and objective. After independence, followed by subsequent planned economic development adopted by government, the promotion and development of cooperative form of enterprises started gaining added importance and attention.

1.1 National Cooperative Policy 2002

1. The national policy on co-operatives was prepared and circulated by the Department of Agriculture and Co-operation through the Ministry of Agriculture, Govt. of India in March 2002. The policy identified the following constraints that still exist which threatens the very existence of the co-operatives and called for removal of these constraints. The constraints identified by the policy, inter-alia, include: (i) legislative and policy constraints; (ii) resource constraint; (iii) infrastructure constraint; (iv) institutional constraint; (v) constraint relating the member awareness; (vi) constraint arising out of excessive government control, and needless political interference.

2. The National Cooperative Policy 2002 has recognized the ideology of cooperatives which is based on the principles of self-help, self-responsibility, democracy, equality and solidarity in addition to emphasizing the inculcation of cooperative values such as honesty, openness, social responsibility and concern for one another by all connected with cooperatives.

1.2 Objectives of the National Cooperative Policy 2002 :

1. The objectives of National Cooperative Policy is to (a) facilitate all round development of the co-operatives in the country, (b) provide necessary support, encouragement and assistance, so as to ensure cooperatives function as autonomous, self-reliant and democratically managed institutions accountable to their members and (c) enable cooperatives to make a significant contribution to the national economy, particularly in areas which require people's participation and community efforts.

2. This is all the more important in view of the fact that still a sizeable segment of

the population in the country live below poverty line and the cooperatives are the only appropriate mechanism to lend support to this segment of the population.

1.3 Important Co-operative Policy 2002 measures :

1. The policy upholds the values and principles of cooperation, recognizes cooperatives as autonomous association of persons united voluntarily to meet their common, economic, social and cultural needs, etc. as defined by ICA Manchester Congress 1995.
2. Cooperatives to remain as the preferred instrument of execution of the public policy especially in the rural area, and government recognizes the need to provide preferential treatment to cooperatives engaged in sectors such as credit, labour, consumer, services, development of women and SC/ST etc.
3. The role of government has to be restricted to only the important essential functions such as: (a) conduct of timely election, (b) audit and (c) to protect and safeguard the interest of members and stake holders in cooperatives and not to interfere in the management of cooperatives.
4. The policy reinforces the commitment of government towards the cause of the SC/ST, women and other weaker sections of the society and their development through cooperatives.
5. The policy enables the co-operatives to set up holding companies, subsidiaries, enter into strategic partnership, venture into futuristic areas like insurance, food processing and information and allows co-operatives to take financial decisions in the interest of the members and in furtherance of their stated objectives.
6. The policy upholds the pledge by the government of India to provide support and protection to the co-operative movement through suitably designed investment programme with a view to providing the co-operatives a "level playing field" vis-a-vis their competing enterprises especially in the field of agro-processing and marketing.
7. One of the objectives of national policy is to achieve 'greater participation of members in the management of co-operatives and promoting the concept of user members. Further, the policy underlines the need to initiate, inter-alia, steps to activate idle membership, enhance member participation and involvement as preconditions for ensuring the efficiency and viability of co-operatives.
8. The policy, inter-alia, aims to "extend support for improving financial viability and resource mobilization by harnessing local savings and adequate refinance facility, and to the possible extent providing a policy framework to ensure that there is no discrimination against the co-operatives in the matter relating to resource mobilization to attain financial viability".

9. The government of India in consultation and collaboration with state governments, through the national policy on co-operatives, accepted the need to phase out government's share holdings/equity participation in co-operatives which is the root cause for excessive control on co-operatives by government.

10. Further, the policy aims to ensure that the co-operatives work as autonomous, self-reliant and democratically managed institutions accountable to their members which necessarily imply the intention of government to reduce its control in co-operatives.

11. Last, but not the least, the government recognizes the need to develop human resources, cooperative education and training, appropriate technologies and infrastructural facilities so as to promote professional management in cooperatives.

1.4 Constitution of Ministerial Task Force to prepare Action Plan for the implementation of National Policy on Cooperatives 2002:

The Government of India, based on the recommendations made at the conference of State Ministers for Cooperation held on 18th May 2001, constituted a Ministerial task force headed by Hon'ble Union Minister of State for Agriculture, Government of India, to formulate a 'plan of action' for the implementation of the national policy on cooperatives on second April 2002.

1.5 The terms of Reference of the task force were as under:

1. The identification of areas where:
 - (a) the cooperatives are to remain the preferred instrument of execution of the public policy
 - (b) the role of government/Registrar is still required to safeguard the interest of members and public
2. To suggest:
 - (a) measures considered essential: (i) to promote and protect the interests of SC/ST, women and other weaker sections in sharing the benefits of cooperatives; (ii) for HRD, education and training and upgradation of skills of all associated with cooperatives.
 - (b) the extent of promotional role of government in assisting weaker section cooperative societies
 - (c) structural reforms required to activate idle membership, dormant societies and enhancement of member participation.
 - (d) suitable mechanism for rehabilitation of sick cooperatives and speedy winding up of defunct societies.

- (e) electoral reforms to ensure timely, fair and impartial elections in cooperatives
- (f) the extent of financial support to cooperatives through budget allocation by central/state government and national/state level cooperative bodies engaged in the development of cooperatives.
- (g) to remove regional imbalances and development of cooperatives in cooperatively under-developed states.
- (h) any other measures for administrative and legislative action for the implementation of the policy.

1.6 Action Plans Recommended by the Ministerial Task Force

1.6.1 Action plan on legal reforms:

- (i) Instead of having parallel cooperative laws, one providing greater freedom and autonomy to cooperatives not having government equity participation and restricted role of Registrar and government on such cooperatives and another law enabling exercise of greater control on cooperatives having government equity participation by Registrar and government, the task force recommended for a single liberalized cooperative law on the pattern of former.
- (ii) The need to have special provisions in the bye-laws of sectoral cooperatives such as banking, production, housing, etc, which are beneficial to cooperatives have been adequately emphasized.
- (iii) Identification of amendments required in the State Cooperative Acts
 - (a) incorporation of state policy on cooperatives declaring that the state shall facilitate voluntary formation and democratic functioning of cooperatives as people's institutions based on self-help, mutual aid and to provide functional autonomy.
 - (b) simplification of procedures for registration of cooperatives. (provision deemed Registration).
 - (c) The removal of power vested upon Registrar/government in the following areas for the purpose of providing functional autonomy.
 - (i) compulsory amalgamation/division of cooperatives.
 - (ii) supersession of the duly elected Board/ Management Committee.
 - (iii) issuance of directions by government.
 - (iv) Restriction of government nomination on the board of cooperatives to a desired level.

- (v) Conduct of election by Registrar or his representative.
- (vi) for the purpose of creating awareness of members and enhancing the member participation, the cooperative legislation should provide for :
 - organisation of education programmes for members;
 - duty of members to protect and promote the object and interests of the society;
 - minimum avilment of service and participation in minimum number of AGMs failing which the member shall forgo the right to vote.
- (d) Depolitisation: In order to depoliticise cooperatives the task force recommended that members of the Board after becoming Ministers or Members of Parliament (MP) or Members of Legislative Assembly (MLA) should not be elected as Chairman/President or Vice Chairman/Vice President of any cooperative society.
- (e) Financial Management: In order to enable the cooperatives to face the present day challenges thrown by market forces, the task force suggested to bring amendment in the cooperative laws in areas such as:
 - (i) to raise resources on their own from the open market;
 - (ii) to utilize its surplus funds without prior approval of the Registrar;
 - (iii) formation of subsidiaries etc.; and
 - (iv) restricting government from the power of resorting to loan waivers.
- (f) **Professionalisation in cooperatives :**

Professionalism into cooperatives can be ensured if the cooperatives are given the freedom to select and appoint Chief Executive Officer and other employees based on their competency, efficiency and suitability.
- (g) **Audit :** Audit should be conducted by qualified Chartered Accountant in the societies having turnover of Rs.one crore or more and by certified or departmental auditors or even by Chartered Accountants at the option of the society, in cooperatives having a turnover of less than rupees one crore. The existing state cooperative laws need appropriate changes at the earliest.
- (h) **On conduct of Inquiries and Inspections by Registrar :**

The suo-moto power conferred upon Registrar to conduct inquiry and carry out inspection must go. However, the Registrar may have the power to carry out the same functions based on specific request received from requisite number of members/creditor, etc. as prescribed.

- (i) **On settlement of disputes** : The societies should have the freedom to settle their disputes through their federations of small matters and through arbitration for other matters as per arbitration law.
- (j) **Role of federations** : The enlarged role and functions to be discharged by the federations must find a place in the cooperative laws duly identified and codified.
- (k) **Role of government** : The role of government should be limited or restricted to : (i) conduct of timely election, audit and take measures to safeguard the interest of members; (ii) to provide policy support to agricultural cooperatives and financial support to cooperatives of SC/ST, women and weaker sections, (iii) to phase out its share holding/equity participation in cooperatives; (iv) to provide a 'level playing field' to cooperatives vis-a-vis other competing enterprises through suitable measures; (v) continue providing assistance to cooperatives for HRD, cooperative education and training and for rehabilitation of sick cooperatives.
- (l) On bye-laws: The state cooperative law should contain an exhaustive list of matters to be included in the bye-laws of the society.
- (m) Offences and penalties: The law should provide for an inbuilt control mechanism in the law itself so as to work as safeguards against misuse of authority, embezzlements, defalcation of public funds by office bearers of the society.

1.6.2 Action Plan on Cooperative Credit Reforms: The task force recommended/suggested the following reforms:

- (i) **Institutional reforms** :
 - (a) Delaying the credit cooperative structure: The basic cooperative credit structure may be left for the decision of structure itself with mutual consultations with the due approval of state governments, (ii) the DCCBs need to be brought under the second schedule of Reserve Bank of India Act 1934 which will enable the DCCBs to avail refinance directly from RBI/NABARD, (iii) the higher tiers should nurse, protect and promote the lower tiers rather than competing with them; (iv) the interest rate margin on loans and advances may be shared @ 0.5 per cent, two per cent and three per cent by apex cooperative bank, DCCB and PACS respectively.
 - (b) Integration of LT and ST Structure: The two structures need to be continued, however, PCARDBs/SCARDBs be given the full-fledged status of banks by fulfilling the requirements specified by RBI.
 - (c) Duality of control: The banking functions has to be brought completely under

Banking Regulation Act 1949 and it should prevail over cooperative laws with regard to banking operations.

(ii) Financial Reforms :

The resource base of cooperatives may have to be strengthened in one or more of the following ways:

- (a) Deposit Mobilisation
- (b) Enhancement of Share Capital
- (c) Recourse to Refinance facility
- (d) National bank for Cooperatives: The existing NABARD in its form may be renamed as National Bank for Agriculture and Cooperatives.

(iii) Business development and diversification :

- (iv) Cost and Margins: The banks should charge interest rate on advances which will cover the cost of raising funds, transaction and risk costs. The state government should not thrust any un-remunerative business like public distribution system (PDS) upon PACS.
- (v) Funds Management: The institutions specific investment policies need to be evolved taking into account the composition of funds, maturity pattern of assets, etc.
- (vi) Recovery Management: The state government should not resort to populous measures like loan waiver, postponement of recoveries and granting of interest rate subsidies, etc. The law should be amended suitably, so as to exclude loan defaulters from enjoying voting right as well as from contesting elections. The compromise / settlement procedure for the closure of long pending loans needs to be evolved.
- (vii) Audit: Audit should be conducted by qualified Chartered Accountants Certified/ Departmental Auditors depending upon the annual turnover prescribed.
- (viii) Professionalisation of cooperatives: The law should provide for inclusion of professionals into the Board of Management Committee either through election or cooption. There must be a clear-cut demarcation of functions between professional managers and elected board members.
- (ix) Institutional protection Fund: Creation of a Mutual Assistance Fund as well as a Cooperative Rehabilitation Fund by NABARD for the rehabilitation of cooperative banks with an initial contribution from government of India.
- (x) Rating of cooperative banks & funding pattern by independent agencies: In

order to determine the contributions to the above referred Institution Protection Fund, it is necessary to have rating of all cooperative banks i.e. SCBs/ DCCBs/ SCARDBs/PCARDBs by independent rating agencies like CRISIL or ICRA.

1.6.3.Action plan on marketing strategy, processing, post harvest management, manufacturing cooperatives drawn by the task force on National Policy on Cooperatives 2002:

Important Recommendations made by the Task Force:

(a) Marketing :

- (i) to promote an alternate market system for direct marketing, smooth supply of raw materials to agro processing industries, competitive trading, organised retailing, information exchange, etc.
- (ii) to step up credit flow to agriculture sector.
- (iii) The national and state level cooperatives should provide knowledge and support to the cooperatives on the financial and technical matters.
- (iv) The encouragement of research and development in marketing areas.
- (v) The cooperatives to enter into partnership among themselves and joint ventures with private and public sector organisations.
- (vi) Encouragement of exports by cooperatives.
- (vii) To evolve brand name by Cooperatives for own products.
- (viii) To form service cooperatives for the purpose of procuring the transport facilities in addition to helping other cooperatives in their venture.

(b) Storage :

- (i) The creation of additional storage capacity by state governments, SWC, CWC on the basis of long term, guarantee by FCI has been mooted;
 - (ii) The utilization of existing godowns needs to be ensured before new capacity is created;
 - (iii) The state governments should provide land to cooperatives for godown construction either free of cost or at concessional rates on priority basis;
 - (iv) To link rural godowns with marketing societies through banks for quality marketing and on line trade activities.
- (c) **Cold Storage** : The introduction of capital investment subsidy scheme for construction/expansion/modernization of cold storage has been recommended in addition to several other legal measures.

- (d) **Processing** : Future priority areas.
 - (i) setting up of new units and consolidation of existing units;
 - (ii) modernisation and expansion of existing units;
 - (iii) rehabilitation of sick units.
- (e) **Information technology** : To establish first an information network among the related organisations and at later stage to have a connectivity among the individual activity. Preparation of Compact Discs (CDs) in regional languages for providing commodity profiles, domestic and export markets, market regulations and restriction, etc.

1.6.4. Action plan on weaker sections, women, fisheries, labour, construction, dairy, housing, handloom weavers, consumers, service sector cooperatives and HRD, etc., drawn by the task force :

(a) Women cooperatives :

- (i) women leadership development programmes should be organised on a regular basis for the working women in different streams of cooperative sector;
- (ii) continuance of financial support in the shape of equity capital, management subsidy and infrastructure development assistance by central and state government;
- (iii) the establishment of state level apex federation of women cooperatives is considered essential by the task force to coordinate the working of women cooperatives.

(b) Fishery Cooperatives :

1. The states which have not yet organised state level federation of fishery cooperatives to organise the same with sufficient equity contribution to take up business and promotional activities for primary fishery cooperatives.
2. In the marine sector, the primary fishery cooperatives needs to be strengthened with infrastructure facility like landing sites, marketing yards and transport facilities.
3. The financial base of the federations of fishery cooperatives needs to be strengthened.

(c) Labour and construction cooperatives

1. The labour cooperative structure is still not in a position to compete with the private sector due to inherent weaknesses, hence, require continued active government support for some time.

2. The skilled work upto Rs.15 lakh and unskilled work without any financial limit needs to be reserved for labour cooperatives by state governments and be given 10 per cent price preference in the central works by central / state government departments.

3. These societies need to be exempted from deposit of earnest money/ sales tax and income tax, etc.

4. To promote an insurance scheme on the lines of a group insurance scheme for the members of fishery cooperatives.

(d) Dairy cooperatives :

1. Link in dairy cooperatives, right from primary dairy cooperative to the federation is to be strengthened.

2. Appropriate programmes / efforts / training are required in the following areas: (i) to focus on optimum efficiency and productivity at every point in the supply chain; (ii) to conduct training for the personnel and management of dairy cooperative; (iii) to design dairy plants to lower the cost of per litre milk processed along with maintenance of quality; (iv) to focus on the key strategies for winning and retaining customer loyalty while strengthening their links with retailers; (v) veterinary services need to be provided to farmers at their door steps to look after the cattle.

(e) Housing Cooperatives :

1. Simplification of procedure and evolve a single window system for various sanctions and requirements.

2. Adoption of appropriate cost effective construction technology to create cheaper and affordable dwelling units for needy people.

3. Financial institutions like LIC, NHB, HUDCO to provide loans to the housing cooperatives at reasonable rate of interest.

4. The state government and NHB to contribute liberally towards the share capital of apex cooperative housing federation in order to strengthen their financial base.

(f) Handloom Weaver Cooperatives

1. Creation of revolving fund by the government to adjust regularly the rebate dues to the handloom societies without loss of time.

2. Incorporation of penal provision in the form of bearing interest burden of the beneficiary institution wherever the delay in passing on the funds received from the government of India to the ultimate beneficiaries is found.

3. Initiation of stern action against bogus societies/fake members.

4. Strengthening of Apex marketing federations.
5. Top priority to realization of bank dues in the event of liquidation of societies to be attached.
6. The state governments to take timely action for the execution of government guarantee so as to ensure continuous flow of credit.
7. Export has to be earmarked as one of the thrust areas in handloom cooperative sector.

(g) Consumer cooperatives

1. Strengthening of consumer cooperatives by providing financial assistance in the shape of share capital and working capital.
2. The central government to take up centrally sponsored and central sector schemes.
3. NABARD to earmark Rs.100 crore for providing working capital to consumer cooperatives in the shape of loans at concessional rate of interest.
4. The government to use the infrastructure of consumer cooperatives as a matter of policy for distribution of essential commodities at a reasonable service charge.
5. The consumer cooperatives of different tiers to pool their resources through NCCF or state federation to achieve better bargaining power with manufacturers and suppliers.
6. The existing four tier system needs to be reduced to three tier system so as to minimize various administrative costs.
7. The NCCF to be recognized as one of the channelising agencies for import and export of consumer goods.
8. The government to enable consumer cooperatives to work out a common strategy to develop consumer awareness on consumer protection and education.

(h) Service Sector Cooperatives :

Cooperatives to be encouraged as well as enabled to set up holding companies/ subsidiaries, enter into strategic partnership and venture into futuristic areas like insurance, food processing and information technologies.

(i) Human Resource Development

1. To assess suitability of the management development and education programme of cooperative institutions so as to include the concept of value based professionalism in cooperatives.

2. In the new areas of high potential growth like insurance, information technology, financial services, etc., appropriate management programmes need to be designed in consultation with professional institutions like IIMs.
3. Central and state governments should initiate policy reforms to make cooperative training institutions independent and to be supported and run by cooperative sector itself within a span of five years.
4. There is an urgent need for proper identification for training needs, preparation of training strategy, development of training systems, curriculum designing to meet all the specific needs.
5. There is a need to provide training programmes for trainers on regular basis for regular upgradation of required skills by the trainers.
6. The cooperative institutions to be allowed to meet the specialized training requirements from professional institutions in the open market.

The above are the broad and major action points sector-wise prepared by the Ministerial task force constituted by the government of India towards the implementation of national cooperative policy formulated by government of India in the year 2002.

PART- 2 : CO-OPERATIVE LEGISLATION IN INDIA

2.1 Formation of Co-operative through legal framework : The Co-operative Credit Societies (CCS) Act, 1904 was the first Co-operative legislation passed by British India during British regime. It was passed on 25th March 1904. Prior to this period, the co-operatives were governed by the Companies Act in force in India i.e. before 25th March 1904. This is evident from the following observation made in the floor of the house while introducing the first co-operative legislation in 1904.

2.2 The basis, reasons and logic for having a separate law for Co-operatives: "The companies Act at present in force is wholly unsuited to societies of the kind which we desire to encourage. The first thing is to take such societies out of the operations of the general law. In the second place, it is desirable to confer upon them special privileges and facilities. And, thirdly, it is very necessary to take such precautions to prevent speculators and capitalists from availing of privileges which were not intended for them".

2.3 Objectives of the CCS Act 1904: The objective of this law was : (i) to provide for the constitution and control of co-operative credit societies with a view to encourage thrift, self- help and co-operation among agriculturists, artisans and persons of limited means and (ii) to provide for the constitution and control of co-operative credit societies for the said purpose.

2.4 **Gaps found in the CCS Act 1904** : The CCS Act, 1904 conferred power upon the Registrar to register only the primary co-operative credit society but not other non-credit co-operative societies. After the enactment of this law, the need for the formation of non-credit co-operative societies, registration of secondary or taluka/district level co-operative societies and grant of more freedom and rights to members were felt essential. Accordingly, the Co-operative Societies Act 1912 was passed mainly with the purpose to remove the gaps found in the CCS Act 1904.

2.5 **Objective of the Co-operative Societies Act 1912** : The objective of this Act was (a) to facilitate the formation of co-operative societies for the promotion of thrift societies and self-help groups among agriculturists, artisans and persons of limited means and (b) for that purpose to amend the law governing co-operative societies. Though the said gaps were removed by the enactment Co-operative Societies Act 1912, it continued the simplicity and elasticity of the CCS Act 1904.

2.6 **Government of India Act 1919 (Constitutional Reforms Report/Montague Chelmsford Report)** : Co-operation was the subject matter of British India for the purpose of formation and regulation as the law making power remained with the British government prior to 1919. With a view to transfer the law making power to provincial native government, an attempt was made, through the Government of India Act 1919, inter-alia, to prepare a list containing the subject matters falling under the competence and jurisdiction of British and provincial government separately. As per this list, the subject co-operation was transferred to provincial government alongwith conferment of power to regulate the co-operative societies through enactments. Based on this transfer of power, several provincial governments passed their own separate cooperative laws. The noted legislation passed under this Act were: (a) Bombay Co-operative Societies Act 1925, (b) Madras Co-operative Societies Act 1932, (c) Bihar & Orissa Co-operative Societies Act 1935;& (d)Bengal Co-operative Societies Act 1940.

2.7 **Emergence of strong State run Co-operative Departments** : Once the subject co-operation became the subject matter of the concerned province, the co-operation departments came to be formed in each state by provincial governments giving more and more emphasis on quantitative expansion and lesser importance on the qualitative expansion. The said co-operative departments created by state governments miserably failed to disseminate the ideals and principles of co-operation to the members who came forward to register societies. Rather, the officials of co-operative department were largely responsible for creating an impression in the minds of people that "Sahakari"(co-operative) means "Sarkari" (government).

2.8 **Government of India Act of 1935**: With regard to co-operatives, the Government of India Act 1935 was an enlarged version of the Government of India Act 1919.

2.9 **Multi Unit Co-Operative Societies Act 1942** : During Second World War, the Salary Earners Co-operative Societies were organised by employees of organisations, both in government and other establishments who could be posted any where in India. This created a practical problem to the salaried employees in dealing with the salary earner's society in which they become a registered member as they could not transact the business with the salary earners society as and when transferred to another province. In order to overcome this problem, the Multi Unit Co-operative Societies Act was passed by British India in the year 1942, which, however, did not affect or withdraw the law making power conferred upon provincial states through the Government of India Act 1919.

2.10 The Committee on Co-operative Law (Model Bill) 1956 :

- (i) The attainment of independence by India paved way for the emergence of new states by the integration of several princely states, which continued from 1947 to 1956.
- (ii) Report of the Committee on Co-operative Law (Model Bill 1956): The government of India, with a view to, (i) facilitate the implementation of the schemes of co-operative development under the Second Five Year Plan and also (ii) to simplify, rationalise and modernise the existing laws relating to co-operatives appointed a Committee on Co-operative Law on 6th June 1956 under the chairmanship of Shri S.T.Raja, which submitted its recommendations along with an exhaustive Model Co-operative Societies Bill and Model Rules (1956) for the Co-operative Societies, which was never implemented.

2.11 Enactment of Multistate Co-operative Societies(MSCS) Act 1984

The MUCS Act 1942 failed to meet the changing needs and requirement of newly emerging co-operative societies having area of operation in more than one State. Therefore, the MSCS law was enacted by the central (federal) government in the year 1984 by repealing the MUCS legislation 1942. Again, the Parliament in the year 2002 enacted a new MSCS Law 2002 by repealing the MSCS Act 1984.

Application : This law was made applicable to all Co-operative Societies having area of operation in more than one state with objects not confined to one state and serving the interest of members of co-operatives in more than one state. It was basically a central legislation.

2.12 Report of the Committee on Co-operative Law for Democratisation and Professionalisation of Management in Co-operatives - 1987

- (i) **Background** : The need for bringing improvement in the management of co-operatives suitable to the above said fast changing situation was felt necessary. For the purpose of bringing up qualitative improvement and strengthening the

co-operatives as an important sector of national economy, the need for strengthening the democratic character of co-operatives and improving the professional competence of co-operatives and their staff was found essential and important. Accordingly, this committee was formed in September, 1995.

- (ii) **Terms of Reference of the Committee** : The terms of Reference of the Committee were “to examine the various State Co-operative Societies Acts and to suggest guidelines for legislative action to activate democratic process and to promote professional management in co-operatives.
- (iii) **Recommendations** : This committee recommended the (a) deletion of those legal provisions in State Co-operative Societies Acts, which militate against the democratic character and the autonomy of Co-operatives and also (b) the incorporation of several provisions in the said state Acts which activate the democratic processes for infusing professional management into co-operatives.

2.13 The Committee on Model Co-operatives Act 1991

In order to bring the above dream and aspirations into a practical orientation and application, a step in the right direction was made by the Planning Commission of India in the year 1990 by constituting a committee to draft Model State Co-operative Societies Bill.

- (i) **Terms of Reference of the Committee** : To make a broad rapid review of the status of the co-operative movement and suggest about future directions and (2) to finalise the bill and submit the same to the Planning Commission.
- (ii) **Objective of the Model Act** : The main objective of this Act is to promote voluntary formulation and democratic functioning of co-operatives as people's institution based on self help and mutual aid to enable people to promote their economic and social betterment. In a nutshell, the Model Act is meant to ensure the cooperative autonomy and independence free from excessive government control and undue interference.

2.14 Post Model Act (1991) Development (1991-2002):

- (i) **Changes made in the early stages** : In the early nineties, a couple of states resorted to partial amendment of their respective State Co-operative Societies Act based on Model Act. The State of Orissa was the first State to act upon Model Act in the year 1991 by amending the then existing Orissa Co-operative Societies Act by duly making provision for direct election of President by general body and also separated the co-operative audit from the control of Registrar by creating a position of Auditor General for Co-operative Audit. The Madhya Pradesh State was the second state to amend its Co-operative Societies Act in 1994. The amendment included (a)enhancement

of minimum members to form Co-operative Society from 10 to 20; (b) provision for issuance of loan Pass book; (c) enhancement of upper limit for payment of dividend upto 25 per cent; & (d) prohibition of contribution in money or kind to political parties. The Kerala State had also provided for (a) constitution of State Co-operative Election Commission; (b) establishment of co-operative development and welfare fund; (c) appointment of separate Director of Co-operative Audit; (d) constitution of co-operative arbitration court and Registrar to decide non-monetary and monetary disputes respectively and (e) constitution of co-operative service examination Board etc., in its cooperative law.

(ii) **Parallel enactment** : As on date, many states had gone for parallel enactment of new Co-operative Societies Acts on the lines of Model Act with the sole purpose and objective to provide complete freedom and autonomy to cooperatives and at the same time retained the already existing Co-operative Societies Act with lot of restrictive provisions for legal enforcement. The states and such parallel acts enacted are as under:

- (a) The Andhra Pradesh Mutually Aided Co-operative Societies Act 1995;
- (b) The Bihar Self Supporting Co-operative Societies Act 1996;
- (c) The J & K Self Reliant Co-operative Societies Act 1999;
- (d) The Madhya Pradesh Swayatta Sahakari Adhiniyam 1999;
- (e) The Karnataka Sauharata Sahakari Act 2001;
- (f) Rajasthan Self-Reliant Co-operative Societies Act 2002;
- (g) Orissa Self-Reliant Cooperative Societies Act 2002;
- (h) Uttaranchal Self Reliant Co-operative Societies Act 2003.

2.15 Multi State Cooperative Societies Act 2002 :

The central government in the year 2002 repealed the earlier MSCS Act 1984 and in its place enacted a new MSCS Act 2002 with the objective to (a) facilitate the voluntary formation and democratic functioning of cooperatives as peoples institutions based on self help and mutual aid; (b) to enable them to promote their economic and social betterment; & (c) to provide functional autonomy and freedom to cooperatives.

Important changes made in the new law:

- 1) The objective of the Act is enlarged as mentioned above (preamble of the Act).
- 2) Simplification of procedure for registration i.e. provision for deemed registration (S.7).

- 3) **Bye-laws** : The subject matters to be covered under bye-laws have been elaborately codified (S.10).
- 4) **Amendment of bye-laws** : Provision for deemed amendment of bye-laws (S.11).
- 5) Provision for promotion for subsidiary organisations (S.19).
- 6) Separate chapter for federal cooperatives (Chapter-III) duly making provision for registration (S.23) and codification of their enlarged duties and functions.
- 7) Confinement of affirmative duty upon co-operatives for organizing cooperative education programmes for its members, directors and employees (S.27).
- 8) Prescription of express grounds for disqualification of members (S.29).
- 9) Provision for redemption of shares on the face value of shares (S.35).
- 10) **Annual general body meetings** : The subject matters on which the general body meeting could deliberate upon have been elaborately listed (S.39).
- 11) Prohibition to hold office of chairman or president, etc. by members after becoming Ministers, Members of Parliament and Members of Legislative Assembly(S.44).
- 12) **Election** : The responsibility to conduct timely election is cast upon the society. If the society failed to conduct timely election, the Registrar is conferred with the power to conduct the election at the cost of the society (S.45).
- 13) The nomination of central or state government on the board of cooperative society is restricted to a minimum of one where the share capital of government is less than 26 per cent and to a maximum of three where the same is 51 per cent or more (S.48).
- 14) The powers and functions of board (S.49) and chief executive (S.52) have been elaborately codified.
- 15) Investment of funds by a cooperative in other cooperatives has been allowed (S.64).
- 16) Contribution of money or in kind to any political party is totally prohibited(S.65).
- 17) Restriction of loans (S.66) and borrowings (S.67) have been imposed.
- 18) The societies have been vested with the power to appoint auditors and ensure timely conduct of audit by qualified Chartered Accountant, Certified/ Departmental Auditors. Provision for drawing auditors from the panel of

auditors prepared by the society and approved by the Registrar has been made(S.70).

- 19) Conferment of power upon central government to direct special audit in specific cases of societies having government share capital contribution upto 51 percent or more(S.77).
- 20) The suo moto power to conduct audit and carry out inspection by Registrar has been removed. However, the Registrar has been vested with power to conduct inquiry(S.78) and carry out inspection (S.79) only on specific request from members, creditors, etc. with prescribed required majority.
- 21) Provision for the settlement of disputes by arbitrators has been made (S.84).
- 22) **Supervision of board of cooperatives** : The government has been vested with the power to supersede the duly elected management committee of only those cooperatives having 50 per cent or more share capital contribution by government for the reasons such as the society is (a) persistently making default, (b) negligent on the performance of duties imposed or has committed any act which is prejudicial to the interest of the society or its members or failed or omitted to comply with the directions issued, etc.

INDONESIA

HISTORY OF THE LAW ON COOPERATIVES

Since the Cooperative was introduced in Indonesia at the beginning of the 20th Century by the Dutch Colonial Government, 9 (nine) laws on Cooperatives were in operation including one Government Regulation that in actual fact changed the law. At the present moment, Indonesia is renewing the 9th Cooperative Law and if the prepared draft of the law is passed by the Parliament, the new law will be the 10th law.

The changing law on Cooperatives reflects insecurity of the cooperative ideas and cooperative development prevailing in Indonesia. The main reason was the changing political conditions in Indonesia since the implementation of Dutch Cooperative Law of 1915 in Indonesia that was not compatible with the prevailing economic, social and cultural conditions of the country. The Law of 1915 mentioned above was changed in 1927 with the law that was drafted in accordance with the need of Indonesians that at that time was called "the Natives". The law of 1915 was then changed again into the law of 1933 that was meant for foreigners, foreign descendents and for the people with such equal status who lived in Indonesia. By the end of the Dutch colony, the law of 1927 was replaced by law of 1949 (that was the Indonesian version of the law) that was made compatible with the Indonesian political condition after the proclamation of independence in 1945.

It was not until 1958 that a new cooperative law was introduced based purely on the Indonesian Constitution (in other fields the colonial laws still prevailed). In 1959, big changes in the political condition in Indonesia happened, when the Guided Democracy principle was in operation. Then, the law of 1958 was changed by Government Regulations of 1959 and the law was made commensurate with the guided democracy principles that abolished the autonomy and freedom of cooperatives. The Government Regulation of 1959 was replaced by Law of 1965 that at the same time abolished the law of 1958. Seen from the cooperative idea as a democratic institution, the law of 1965 was very repressive in nature that placed cooperatives as a political instrument (of the state) at that time.

After the political change of 1965 that gave birth to what was called "the New Order" (that designated the previous political system as "the Old Order"), the law of 1967 re-established the cooperative as an institution that operated on the foundation of principles applicable in the ICA circles (Indonesia joined the ICA in 1958). The shift of political power into the hands of a very strong government made an impact on the cooperative life that abolished the cooperative autonomy and the cooperative

became the (development) tool for the government. In such a situation, the law of 1967 was replaced by the law of 1992.

The occurrence of the economic crisis of 1997 that in its turn gave birth to a political reform that dethroned the New Order government, the political power that was previously imbedded with the government shifted to the people (and the legislature). Then, the desire occurred to amend the law of 1992 that already contained the seeds since the promulgation of the law. The decision to renew the law of 1992 was taken after the post election government came into office in 1999.

PAVING THE WAY FOR THE AMENDMENT OF THE COOPERATIVE LAW

The government as well as the cooperative movement in Indonesia were aware about the cooperative principles since the cooperative was introduced in Indonesia one century ago. Before the Indonesian independence in 1945, the cooperative principle known in Indonesia was the Raiffeisen principles, because these principles were the ones introduced to Indonesia. It was when Indonesia after having contact with ICA in 1950 that the Rochdale principles applied by ICA were introduced. The ICA principles were contained in the 1967 and 1992 laws.

When the ICA re-formulated the principles that became a part of the ICA Cooperative Identity Statement (CIS) in the 100th ICA Congress in Manchester in 1995, the Indonesian Cooperative Movement formally became bound by the ICIS.

The amendment of the law was concretized after there was an agreement between the Indonesian Government and the World Bank where the World Bank has expressed their readiness to finance the amendment of the cooperative law in accordance with the ICIS. With the background of the prevailing politics of the moment, it was agreed that the draft of the new law should not be made by the government as in previous days but by a non governmental organization which is considered as neutral and really knowledgeable about cooperative matters. For this purpose, it was agreed to entrust the job to LSP2I (Institute for Indonesian Cooperative Development Studies).

The law must really contain the cooperative people's aspirations (the stakeholders), and it should have their direct support and participation and with a democratic bottom up process. To facilitate the process, socialization should be made in several ways such as through the press, seminar and other meetings, so that the plan is known by related parties as soon as possible.

For drafting the law, a team is formed and the final product in a draft form has been submitted to the government through the State Minister of Cooperatives and SME at the beginning of January, 2002.

In the meantime, the Ministry of Cooperatives, has drafted another Cooperative Law. Until to date, the Ministerial draft is still in the hands of the Government and it is difficult to predict when the draft will be ready to be submitted to Parliament. It seems that the coming General Election, April, 2004, is the acceptable reason.

From this process in framing the Cooperative Law, can be concluded, albeit the Indonesian Government and the Cooperative Movement, have adopted formally the ICIS, whether the genuine meaning and the consequences of the ICIS are properly understood and apprehended.

COOPERATIVE POLICY

Meanwhile the Constitution of 1945 has been amended by the People's Assembly, where the Elucidation of the Constitution, including of Article 33 stating the position of Cooperatives as model of the economy was abolished. It means that to date, Article 33 is open for any interpretation depending on ones perception.

The consequences of this new political development is, that the philosophy of cooperative development and the foundation of the Cooperative Law in Indonesia should be reformed, the role of the Government and the cooperative movement in the national development need respectively to be altered also.

The continuous change of the Cooperative Law caused by changing political situation has a great impact on the cooperative policy made by the government. Trailing the change of the law, compelled the government to alter the national cooperative policy.

The national cooperative policy should be formulated as an integral part of the Constitution and the National Development Plan. The State Constitution as the foundation of the political philosophy has been amended, and there is a New Law on the National Development Programme (Law No. 25/2000) that gives the cooperative the position as one of the main highways towards the development of the people's economy. The Development Law gives a role to cooperatives to make an important contribution in reducing the gap between groups and among role-players. To absorb manpower, to extend the economic basis, to accelerate structural changes and unity of the national economy. There are no clear signs yet, that the government has already prepared a new national policy on cooperative as a response to the political change based on the amended Constitution and National Development Law No.25/2000.

All the activities conducted by the Government are not based on national policy on cooperatives, but on cooperatives promotion programmes comprising, as stated by the Government: creating enabling environment, making access to financial institutions and developing entrepreneurship.

SRI LANKA

LEGAL FRAMEWORK

Historical Background

The Cooperative Movement of Sri Lanka appears to have had its first society established in 1906 at the initiative of Ceylon Agricultural Society. In 1908, the Colonial Governor appointed a Commission which was headed by one Mr. Crawford. The Commission went into inquire about the rural indebtedness, agricultural marketing etc., which was mainly based on the Indian Cooperative Movement which had been started in 1904. Based on the recommendation of this Commission, Cooperative Credit Societies Ordinance No.7 of 1911 came into effect from 17th May, 1911. With this, the cooperatives were legally recognized as independent association of people.

Preamble to this Ordinance lays down its objectives in the following manner.

“Whereas it is expedient to encourage thrift, self help and co-operation among agriculturists, artisans and persons of limited means and for that purpose to provide for the constitution and control of Co-operative Credit Societies”.

From the above, it is clear that the Ordinance was introduced with the specific intention of providing benefits to persons of limited means and thereby encouraging and helping them.

Thereafter, the government appointed a Registrar of Cooperative Societies to enforce the above Ordinance. He was entrusted with the power to register Cooperative Societies while reserving the authority to register by way of special order any society that consisted of 10 members, notwithstanding the availability/ non-availability of the authority of the Registrar. This practice was nothing unusual when considered in the context of the colonial enterprise and the modus operandi of many a government organization of the colonial era. It ought to be noted, however, that same official is entrusted with the aforementioned duties in the present context too.

The Ordinance introduced for the first time provided for dealing with member shares by making the sale of such shares mandatory in generating funds for the society. Individual members were, however, prohibited from buying shares either more than 1/5th of the total number of shares sold or exceeding a value of Rs.1000. This 1/5th restriction on the purchase of shares prevails even today and can be viewed as a preventive measure imposed on those attempting to influence or disrupt a society through the members share capital.

Co-operative Ordinance and Acts

The Co-operative Movement established in this manner started its onward

march having gone through the following Ordinances and Acts enacted from time to time due to exigencies.

Co-operative Credit Societies Ordinance No. 7 of 1911

Co-operative Societies Ordinance No.34 of 1921

Co-operative Societies Ordinance No.16 of 1936

Commissioner of Co-operative Development (Definition of Power) Ordinance No.45 of 1945.

Co-operative Societies (Amendment Act) No.21 of 1949

Co-operative Societies (Amendment Act) No.9 of 1950

Co-operative Societies (Special Provisions) Act No. 1956

Co-operative Societies (Special Provisions) Act No. 24 of 1958

Co-operative Societies (Amendment) Act No. 27 of 1964

Co-operative Societies (Special Provisions) Act No. 34 of 1970

Co-operative Societies (Special Provisions) Act No. 35 of 1970

Co-operative Societies Law No.5 of 1972

Co-operative Societies (Special Provisions) Act No. 12 of 1978

Co-operative Societies (Special Provisions) Act No.11 of 1980

Co-operative Societies (Amendment) Act No. 32 of 1983

Co-operative Societies (Amendment) Act No. 11 of 1992

Cooperative Rules

In order to aid the implementation and effective functioning of the above legislation, subsidiary legislation in the form of rules having the effect of by-laws also have been introduced at different times subsequent to the enactment of the respective Ordinances and Acts. They are as follows:

- (1) The rules enacted under Section 21 (1) of the Cooperative Credit Societies Ordinance No.7 of 1911 (Published in Gazette No. 296 of 2.6.1911)
- (2) The rules enacted under Section 37(1) of the Co-operative Societies Ordinance No.34 of 1921 (unpublished)
- (3) The rules enacted under Section 54 of the Co-operative Societies Ordinance No.16 of 1939. (Published in Gazette No.10086 of 24.05.1950 and Gazette No.11423 of 11.6.1958).

- (4) The rules enacted under Section 61 of the Cooperative Law No.5 of 1972 (published in Gazette (Extraordinary) No.93/5 of 10.01.1974).

Provincial Co-operative Statutes

It is important to note that by List I (Provincial Councils List of the Ninth Schedule to the 13th Amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka of 1978, the subject of co-operatives has been devolved on Provincial Councils in the following manner.

In the exercise of devolved legislative power, the Central, Uva, Sabaragamuwa and Western Provincial Councils have already compiled, approved and implemented their own Cooperative Statutes. The North Western, Southern and North Central Provincial Councils are in the process of drafting such statutes.

1. The Central Province Co-operative Statute No.10 of 1990.
2. The Uva Province Co-operative Societies and Co-operative Employees Commission Statute No.5 of 1991.
3. The Sabaragamuwa Province Co-operative Statute No. 3 of 1994
4. The Western Province Co-operative Statute No.3 of 1998.

Current Position

Accordingly, the foundation of the Co-operative Law of Sri Lanka today is based on the Co-operative Law No.5 of 1972 and subsequent amendments. It should be noted that the environment that existed at the time of formulation of the above laws in the decade of seventies has changed to a great extent now but the basis of the Co-operative Law drafted then remains unchanged. At that time, the country was experiencing a closed economic policy with rigid control by the government and Co-operative Law drafted at that time was made to suit those conditions.

In 1977, the economy of the country was opened but only a few amendments were made to the Co-operative Law. But the basic structure remained unchanged.

Due to the ethnic troubles erupted in early eighties, and developed into a full scale war during the subsequent years, the 13th Amendment to the Constitution was introduced devolving most of the Central Government powers on the provinces. After 1988, Co-operative became a devolved subject and provincial councils had their own administrative structures. Consequently, some of the Provincial Councils enacted their own statutes, particulars of which were given earlier. However, these statutes were based on Co-operative Law No.5 of 1972. In addition, some of the Registrars have widened their powers through these statutes. Provincial Councils which have

got to enact their statutes are still guided by the Act No.5 of 1972. All these indicate that despite drastic changes in the country and the world at large, the basic law of co-operatives still remains the same.

From the year 1995 onwards, several attempts have been made to reformulate the Co-operative law to suit the current trends. A new Co-operative Act was drafted in 1995 but it has still not been materialized.

The latest attempt in this regard is the Presidential Commission appointed in the year 2000. This Commission has made an in-depth study of all aspects of the co-operative movement and has recommended various changes that should be made to suit the existing conditions. One of its important recommendations is regarding the change of Co-operative Law.

As a consequence, the Ministry of Co-operatives has appointed a Committee in 2003 to study the draft law carefully, taking into consideration the existing socio political environment and global trends.

The existing co-operative law of the country basically remains unchanged and its base is still government controlled and inflexible.

After the devolution of powers to provinces, political and administrative intervention has increased. This has made them distanced from the internationally accepted co-operative Identity Statement of the ICA and the global economic scenario. This has created a very unhealthy situation and co-operatives are struggling for their existence.

Throughout the history of the Co-operative Movement of Sri Lanka, it is the state that has played a dominant role in the direction of the movement to what it is today. Unlike in developed Co-operative Movements, the movement in Sri Lanka did not develop to a position of self reliant, peoples initiated movement. This situation is mainly due to political and administrative control and intervention mainly due to the prevailing legal framework. It is to change this situation and create a genuine co-operative movement that the introduction of a new legal framework has become a sine-qua-non.

POLICY FRAMEWORK

Although co-operatives according to the ideology and practice of co-operation are expected to be independent and autonomous institutions, they have to function within the limitations and scope provided by the state. It is the state that has sovereignty. Co-operatives along with their members are a part of the civil society functioning within the state. State has dominance and also the final say on any matter including co-operatives coming under its sovereignty. It is the fundamental responsibility of the

state to form a clear idea of the policy that it intends to follow in respect of co-operatives. If the present lethargic situation is to be changed, a government should have a clear vision, perspective and commitment. In the 13th Amendment to the constitution, the state is bound to decide on the policy on devolved subjects and Provincial Councils are bound to follow those policies.

Historically, co-operatives in Sri Lanka molded their policies in accordance with the policy of the existing governments. For example, when the government wanted to promote Thrift and Credit Co-operatives, legislation was introduced in 1911 to promote them. When it wanted to introduce Consumer Co-operatives during the Second World War, it was promoted by the government in accordance with the policy of the government. In the decade of fifties, the govt. policy was to introduce Multi-purpose Co-operatives. In the decade of seventies, the govt. policy was to distribute all items of goods through co-operatives. Thus the Co-operatives monopolized the distribution system of the country.

Towards the end of eighties and the beginning of nineties, essential components of poverty alleviation programme were diverted through Co-operatives. Even very recently, co-operative were forced to purchase paddy from cultivators at government declared floor prices.

Accordingly, it is clear that all successive governments used Co-operatives to implement their policies. But no government has taken decisive action to formulate government policies to create a genuine co-operative movement. All political parties promise various policies in their party election manifestoes but once they gain power, they act differently.

In the recent part, political parties and governments changed frequently and accordingly political and administrative leadership changed rapidly, resulting in inconsistency in the Ministries in change of the subject of Co-operation. As a result, a continuous and favourable policy support for co-operatives was lacking. Similarly due to the influence exerted by international lending institutions like the IMF and World Bank and other donor agencies, role and the govt. policies changed with grave consequences to peoples movements like co-operatives.

The main policy document of the present government is "Regaining Sri Lanka". Although it mentions extensively on other subjects, nothing has been said about co-operatives.

Although, there is no policy declaration regarding the co-operative movement, under the structural adjustment programme, action has been taken to close down some of the government co-operative supporting institutions and marginalize the activities of such institutions. For example, the Sri Lanka Institute of Cooperative Management was liquidated at the end of 2002 and action is being contemplated to

close down the Co-operative Employees Commission by the end of this year. Even the Department of Co-operative Development is being dissolved and is to be made a unit of the Ministry of Co-operatives.

Although these actions of the government take away its authority over these institutions, a favourable policy support is lacking towards co-operatives. Accordingly, the co-operatives in Sri Lanka are faced with 4 kinds of crisis in varying intensity. They are:

- (i) the ideological crisis;
- (ii) the management and credibility crisis;
- (iii) the management crisis and;
- (iv) the capital crisis;

This is mainly due to the historical background and the policy followed by successive governments towards co-operatives.

If the co-operatives are to be salvaged from the above crisis and make them strong enough to face the challenges of the new millennium so as to make them a strong partner of the socio-economic development of the country, the government should declare a favourable public policy towards co-operatives to make them a peoples movement in the true sense with a continuous and collaborative support -sans controls.

STRENGTH AND WEAKNESSES OF CO-OPERATIVES

— Country Profiles

BANGLADESH

A. Strength :

1. Rural and agricultural co-operatives have a strong base and they have been successful in providing much needed credit and other services for developing agriculture and other related activities.
2. Self-help groups formed mostly by landless labourers are functioning well.
3. Bangladesh Rural Development Board sponsored co-operatives are dominant in the field of rural financing.
4. Emerging co-operatives in the dairy sector and housing are quite successful and have great growth potential.

B. Weaknesses :

1. Traditional agricultural co-operatives are weak and facing serious problems of viability.
2. Co-operative banks and co-operative insurance are also not doing well.
Control of RCS and interference of the government are found to be excessive denying the much needed autonomy and operational freedom.

CHINA

A. Strength :

1. In China supply and marketing co-operatives are strong and successful.
2. Government support and encouragement to rural co-operatives is a part of government policy at the national and provincial levels.

B. Weaknesses :

1. There is no law governing the operation of the co-operatives, though co-operatives follow co-operative principles.
2. Growth of co-operatives, other than agriculture, is tardy. Not much of diversification has taken place.

INDIA

A. Strength :

1. Co-operatives have a strong base covering every village and 71% of the rural household.

2. A strong network of training and educational institutions.
3. Co-operatives are strong in the segment of credit and banking, fertilisers, sugar, dairy, marketing and housing.

B. Weaknesses :

1. Lack of professionalism at the level of management
2. Weak infrastructural facilities.
3. Restrictive provisions of State laws and excessive control of the RCS and interference of the govt. in the management.
4. Slow process in technology application and weak management information system.
5. High cost of management and transaction costs.

INDONESIA

A. Strength :

1. Long existence of co-operatives has made people aware of co-operatives and their merits.
2. The resilience of many co-operatives is quite strong even though they rise and fall.
3. The Indonesian Constitution year 1945 mentioned co-operatives as a model of the Indonesian economy. In 2002, the Constitution was amended and the term co-operative was deleted from the elucidations, even though the article concerned remains as before i.e. "The Economy is structured as a collective effort based on Brotherhood."
4. Dr.Mohammed Hatta who relentlessly fought for co-operatives and became the formulator of the Constitution concerning co-operatives.
5. Politically, the co-operatives have a continuous support from the people and the government. Though the image of co-operatives is rather low, there are still many who believe in co-operatives, and they believe that the co-operative concept is good and right, but the implementation and the implementers are wrong.

B. Weaknesses :

1. Co-operatives have not yet rooted into the lower strata and low income group population.
2. Low level of education and knowledge about co-operatives.
3. Low competitiveness of co-operatives.

4. Bad image of the co-operatives due to misuse in the name of co-operatives.
5. Weak organization and management.
6. Cooperation among co-operatives is lacking through vertical as well as horizontal integration.
7. Political intervention by the government and political parties in co-operative affairs.
8. Mismanagement of co-operative funds by their leaders.
9. Absence of the obligation to have an independent external auditor.

IRAN

A. Strength :

1. The Iranian co-operatives enjoy just a supportive relation from the government, which in many Asian countries, mixed with intervention.
2. Co-operatives take the advantage from the Ministry of Co-operatives, which is a governmental specialized channel for the co-operatives.

B. Weaknesses :

Poor member participation, which is mostly due to poor knowledge at the grassroots about the potentials and nature of co-operative movements.

ISRAEL

Strength & Weakness :

Strength and Weakness of co-operatives are influenced by the economic situation.

JAPAN

A. Strength :

1. Strength of Japanese Co-operative Movement is the agricultural co-operatives and consumer co-operatives.
2. Policy for co-operatives is embodied in the policies of various ministries which are sector specific.

B. Weaknesses :

1. Co-operatives are governed by sector-specific laws under different ministries.

There is neither one law nor one policy for co-operatives.

2. Absence of coordinated approach to the problems both at the ministerial level and between various apex sector specific federations.

KUWAIT

A. Strength :

1. The co-operatives have succeeded in providing its services for the consumers, protecting them from commercial cheating, preventing price rise and providing the goods at reasonable price and at suitable place.
2. Co-operatives offers several social services to the members (educational, entertainment, religious, sports & health) and at the national level have built a hospital for heart and diagnostic X-ray.

B. Weaknesses :

1. Unqualified members and high expectations.
2. The defects in the societies dealing with imports.
3. Lack of scientific planning of the stores.
4. Absence of a united methodological policy in the societies that coordinates and defines the expenditure and priorities for social services. Moreover, the expenditure is done according to the board of directors instructions.

MALAYSIA

A. Strength :

1. The co-operative movement has recorded a very strong growth rate not only in numbers but also in total assets. For example in 1990, co-operatives had total assets of 6.16 billion (Ringgit) against 16.1 billion (Ringgit) in 2000.
2. Government recognises co-operatives as private self-help organizations and as a positive economic and social force in promoting the well being of its members in the overall development of the country.
3. Corporate governance and co-operative education are important areas that require specific attention to overcome weaknesses in co-operatives. This is being pursued.

B. Weaknesses :

1. Growth of co-operatives is not even in all the sectors.

2. There is need to streamline the training and its infrastructure involving co-operatives more actively.
3. Mechanism for government - co-operative dialogue and mutual consultation on law, policies etc. needs to be further strengthened.

NEPAL

A. Strength :

1. In the organised sector, the co-operatives are the only institutions, which have covered all the villages in the country and 71% of the rural households.
2. The co-operatives are having a comprehensive network of education and training institutions in the country.
3. Co-operatives have been accepted as a preferred instrument for execution of public policy especially in rural areas.
4. Co-operatives have created a formidable niche for themselves in the segments of credit and banking, fertilizers, sugar, dairy, marketing, housing, labour, fisheries etc.
5. People's participation has increased due to the numerical growth of co-operatives.
6. Services through co-operatives are easily available in the local areas. The products are qualitatively better, cheaper in price, and correct in weight.
7. In the economic development plan of HMG/N, co-operative development activities are focused on.
8. Co-operatives can play a significant role to reduce the level of poverty by generating income through their business/services.
9. Co-operatives have their own organizational structure from primary to national level for horizontal and vertical integration.

B. Weaknesses :

1. Since the numerical growth of co-operatives has taken place, the co-operative values and principles are not properly followed.
2. The government has no clear-cut co-operative development policy so far.
3. Good governance and monitoring activities are internally and externally very poor.
4. Resource constraints for lending and improper use of credit by members due to lack of technical guidance resulting in increased NPAs.

5. The training and education activities are poor.
6. The quality of leadership is weak and unsatisfactory.
7. Horizontal and vertical linkages between co-operatives are not properly established for marketing the products.
8. Net-working of co-operatives activities are also very weak and poor.

The co-operatives are grappling with the problems of :

- (i) promotion of professionalism among management, members and work force;
- (ii) weak infrastructure facilities;
- (iii) restrictive provisions in state co-operative laws;
- (iv) lack of sufficient progress in introducing improved technology parameters including computerisation of various operations;
- (v) high transaction and management costs.

PHILLIPPINES

A. Strength :

1. Co-operatives have a strong membership in excess of 10 million accounting for 12.2% of the population.
2. Agricultural and non-agricultural co-operatives are dominant in the co-operative movement of Philippines.

B. Weakness :

1. Rural co-operatives are small. To make them viable, for improving productivity to attain economics of scale and to maximise resources, a process of restructuring, which includes merger and consolidation has been initiated.

SINGAPORE

Strength & Weaknesses :

1. The co-operatives benchmark prices to counter profiteering.
2. Many co-operatives are small and medium and face constraints due to their size.

The federation encourages mergers, services sharing, conducts operational audits and develops human resources.

SRI LANKA

A. Strength :

1. The co-operative movement in the country has grown and survived for nearly 100 years despite political, social and economic upheavals.
2. The coverage of the co-operative movement had spread to all nooks and corners of the country covering each and every village. It has become the main peoples' movement of the country representing 25% of the total population. Since the movement has helped the people in their hours of distress and crises, they still have some faith and trust in the movement.
3. Credit co-operatives and micro-credit co-operatives have strong base.
The movement has considerable assets throughout the country and it plays a leading role in the mobilization of rural savings.

B. Weaknesses :

1. Inability to change and lack of innovations to suit the current global trends.
2. Lack of visionary and committed leadership.
3. Overall managerial weaknesses in co-operative organizations due to lack of professional managers.
4. Politicisation of the co-operative movement.
5. Bureaucratic control.
6. Frauds and misappropriations.
7. Lack of member commitment and involvement.
8. Lack of technology.

VIETNAM

A. Strength :

1. People organize themselves to form co-operatives and participate actively. The co-operatives are growing in number. In 2002 alone 953 co-operatives were established in the country.
2. Government has created conducive conditions to help / develop co-operatives.
3. Stability is seen in the business of the co-operatives.

B. Weaknesses :

1. Lack of working capital for business operations.
2. Low technology and management.

**ANALYSIS OF RESPONSES TO THE
QUESTIONNAIRE**

TRENDS IN CO-OPERATIVE MOVEMENT

India :

The Multi-State Cooperative Societies Act, 1984 was amended and replaced by the Multi-State Cooperative Societies Act, 2002. Since the holding of the last Ministers' Conference, the reforms in organisational structure of cooperatives are being carried out, wherever necessary, to improve their competitive strength and operational efficiency. The cooperatives in India are visualising entry into new areas like insurance, international trade, tourism and tele-communications. The new Act provides for dis-engagement of Government from cooperatives. Serious efforts are under way to improve the competitive strength of cooperatives through professionalisation of management, upgradation of technology, control over transaction and management costs and also by laying emphasis on quality control and quality of products. The new Act of 2002 provides for a strong resource base for cooperatives. It also emphasizes that a member should be paid a competitive rate of return on additional investment beyond the basic equity holding.

The federal cooperatives have been assigned with the additional responsibility to ensure compliance of cooperative principles, to make model bye-laws, provide specialised training and education, undertake research and consultancy work, promote harmonious relations among member cooperatives through development of market information system, quality control and technology upgradation, assist member cooperatives in organising self-help groups etc. Since the cooperatives in India are resource starved institutions, the Government gives a sizeable financial support for promotion of professionalisation, cooperative education and training programmes which are helpful for the growth and diversification of cooperatives. The cooperatives have a comprehensive network in the country and it has been accepted as a preferred instrument for execution of public policy in the rural areas.

The cooperatives are grappling with the problems of (i) promotion of professionalism among management, members and work force; (ii) weak infrastructure facilities; (iii) restrictive provisions in state cooperative laws; (iv) increasing levels of NPAs; (v) weak management information system; (vi) lack of sufficient progress in introducing improved technology parameters including computerisation of various operations; (vii) high costs of transaction and management costs, etc.

Indonesia :

Since 1999, the Government has started carrying out dis-engagement from cooperatives. At present, the role of Government is regulatory, environment creation, general supervision, training and education. The reforms in organisational structures

of cooperatives have not yet been carried out due to continuing process of organisational consolidation according to the previous structure. The development of new generation cooperative is not yet apparent due to the continuing process of rehabilitation of cooperatives from the previous crisis. Except women cooperatives, credit cooperatives and dairy cooperatives, the development in other sectors is very slow and the symptoms of stagnation are apparent.

The role of federations are still limited to coordination, training and education, representation and advocacy etc. Though there are no limitations as such and the cooperatives can operate in all sectors, the Government gives no preferential treatment to cooperatives. The resilience of many cooperatives in Indonesia is quite strong even though they rise and fall. In spite of the image of cooperatives being not very high, the people still believe in the principles and values of cooperatives and that the cooperative concept is good. The cooperative organisations are weak because of its poor management and political intervention in the cooperative affairs. There are cases of mis-management of cooperative funds by their leaders because of absence of independent external audit of cooperatives.

Iran :

In view of the liberalisation of policy by the Government of Iran, significant number of cooperatives are to be established in the areas like tourism, arts, culture, insurance, ecology and technical consultation. Though there is no specific reforms policy under consideration, the autonomy and self-sufficiency of cooperatives have been stipulated clearly in the Third Development Plan. In spite of the Government support, the cooperatives can not still stand in competition with the private sector because of inadequacy of capital, non-professionalisation of cooperative management and poor HRD. The cooperatives have proposed to the Government and the Parliament for certain measures but no new guidelines have been issued by the Government so far for the cooperative sector. Though the Government provides preferential treatment for development of cooperatives specially to achieve social justice through redistribution of resources, it has not yielded significant results. It is necessary for the cooperatives that a preferential treatment is given to the cooperative sector without governmental intervention.

Israel :

Since 2002, mostly rural community settlement and general agriculture societies have been developed in the social sector. Though the Government is involved in the preparation of new Cooperative Societies Act, there is no state involvement in the affairs of the cooperatives. The cooperatives in Israel do not find any need for improvement in competitive strength of cooperatives nor do they need to develop any ways and means to strengthen the capital structure and resource base of cooperatives. The role of the Government and that of the federations have not been changed since

the Sixth Asia Pacific Cooperative Ministers Conference held in 2002. The Government provides tax treatment to cooperatives which is a sort of preferential treatment and have been helpful in growth and diversification of cooperatives and the cooperatives want such preferences to continue. The cooperatives are mainly influenced by the economic situation of the country and have no separate strength and weaknesses of their own.

Kuwait :

In Kuwait, there is no housing cooperative and a survey is in process to establish housing cooperatives. The government has issued ordinance for bringing reforms in the organisational structure of cooperatives. The Govt. has the role to inspect the activities of cooperatives and its accounts, calling the general assembly for a meeting, appointing temporary Board of Directors, and the financial superintendence on the society's records. The State's support for cooperatives leads the societies to accomplish large profits. The State provides the cooperative sector certain concessions and advise the federations of the cooperatives to help its constituents to spread cooperative awareness, protect the members financial interest and represent its member organisations in the official and international levels. The Govt. also extends preferential treatment to the cooperatives in the matter of services to the citizens of the region and disallowing the private sector to provide such services in the region where cooperatives are operating. The Govt. also gives concession to the cooperatives in regard to customs fee. Services of experts are made available to support the cooperatives. The strength of the cooperative is that it offers several services to the members at the national level i.e. educational, entertainment, religious, health and sports. These services are financed by the cooperative societies. The cooperatives have also been instrumental in controlling the prices of certain goods. The lack of scientific planning is the main weakness of cooperatives in Kuwait.

Malaysia :

The Government encourages the formation of new generation cooperatives in the social sector such as education cooperatives, health care, small and medium industry cooperatives. Under the National Cooperative Policy, the National Cooperative Consultative Council will be established as a part of the government's effort in setting new reforms in the organisational structure of cooperatives. The success of cooperatives depends upon the professional ability of its managers and office bearers. The introduction of compulsory training courses for the Board of Directors, auditors, professional management, etc. is important to improve the competitive strength of cooperatives. The Cooperative Development Department provides loans to cooperatives to enable them to participate actively in the economic activities for the benefit of members. The government provides preferential treatment to cooperatives as tax exemption is provided to the newly registered cooperatives for five years. Such

preferential treatment has been helpful for the financial stability and development of cooperatives and needs to be continued for poverty alleviation and for ensuring political stability and economic security in the country. The cooperative movement has recorded a very strong growth rate not only in numbers but also in asset formation. The government recognises cooperatives as self-help organisations for socio-economic upliftment of the weaker sections of the society. Cooperative education and governance are the key areas that require specific attention to overcome weaknesses in cooperatives. This will ensure transparency and accountability in the cooperative structure.

Nepal :

The Sixth Asia Pacific Cooperative Ministers' Conference held in 2002 has been instrumental for the policy and legislative development in Nepal. The major concerns of Nepal cooperatives are health, education, water, women, children and Insurance in the social sectors. The structural reforms in the existing cooperatives are in the offing and debates are going on for reforms of tier system in the cooperative movement of Nepal. The HMG does not interfere in the affairs of cooperatives because the Cooperative Societies Act recognises cooperatives as autonomous and independent bodies. The cooperatives generate capital through raising share capital, savings and through bank loans. The National Cooperative Federation (NCF) plays a significant role in the overall development of the cooperative movement. Since the annual fee collected from its members is not adequate to meet the operational expenses, the NCF is also engaged in the business activities for its survival. The Government continues to give preferential treatment to cooperatives by incorporating the cooperative operations in the Government development plan and by providing certain immunities and facilities like registration of immovable property, stamp duty, excise duty, registration fee, income tax and local tax etc. Such preferential treatment has been helpful for the growth and diversification of cooperatives.

The strength of the cooperative movement lies in its numerical growth, leadership development, members' participation and poverty alleviation programmes. The weaknesses of the cooperative movement lies in its poor governance and monitoring. Lack of professional management and skilled manpower, poor coordination among cooperatives, inadequate financial resource base, sub-standard education and training facilities and lack of publicity and networking of the cooperative activities are other weaknesses.

Philippines :

The Philippines Government has dis-engaged itself from the cooperatives and this dis-engagement is clearly enunciated in the declaration of the State Policy. The cooperatives centralised financial system has been established to promote greater financial stability and confidence in the cooperative movement to enhance the

competitiveness and viability. Necessary rules and regulations have also been formulated for the operation of cooperative centralised financial system. The Cooperative Code of Philippine define the nature, purpose and the role of cooperative federations. Under the Cooperative Code, the cooperative federations can undertake business and non-business functions including conducting education and training programmes for member cooperatives. The cooperative unions can also undertake non-business needs of member cooperatives to improve their efficiency. The overlapping functions of unions and federations result into conflicts which need review.

The Government provides preferential treatment to cooperatives in the form of tax exemption for cooperatives. The cooperatives that do business with non-members also enjoy the privilege of tax exemption. The machinery, equipment, spare parts used by cooperatives, if imported due to non-availability of the same locally, are exempted from customs duty. Such tax free items are not allowed to be transferred to any person for five years from the date of their importation. Certain transactions of the cooperatives are exempted from payment of fees and charges. Cooperative securities are exempted from the applicability of Securities Act provided that the security is not speculated. Besides these, the cooperatives registered under the Cooperative Code are accorded a number of privileges and enjoy far reaching concessions under the law.

Singapore :

Since the Sixth Asia Pacific Cooperative Minister's Conference, the cooperative movement of Singapore has emphasised on good cooperative governance and training of directors. Since the Government functions as regulatory authority, the cooperatives on their own lay stress on professional management and promotion of cooperation among cooperatives. Through professional management, improving information and communication technology, strategic alliances, innovation and corporate governance, the cooperatives have improved their competitive strength and are visualising to develop new generation cooperatives in the social sectors like health, education, housing, labour, women and youth.

The role of the federations in Singapore is to propagate the principles and values of cooperatives, facilitate networking amongst cooperatives and enhance the image and role of cooperative movement in regional and international arena. The cooperatives pay a levy of their surplus to the Central Cooperative Fund instead of corporate taxation. This is a preferential treatment for the cooperatives for the growth and diversification of cooperatives. The strength of the cooperative movement of Singapore is that the cooperatives bench mark prices to counter profiteering and help members stretch their hard earned money. The weaknesses of the cooperatives in Singapore are that many of the cooperatives are small and medium hence face constraints due to their size. The federation encourages mergers, services sharing, conduct of operational audits and human resources development.

Sri Lanka :

Sri Lanka has taken action to organise school cooperatives in a new model by the introduction of a new set of bye-laws. The National Institute of Cooperative Development has been re-structured as an autonomous school of cooperation by an Act of Parliament. The Sri Lanka Institute of Cooperative Management, which functioned as a statutory body under the Ministry of Cooperative, was liquidated and its functions and assets were transferred to the newly formed National Institute of Cooperative Development. For disengagement of Government from cooperatives, a new Cooperative Act is being drafted. To improve the competitive strength of cooperatives, the National Institute of Cooperative Development has taken action to sign a MOU for the two apex level cooperative institutions i.e. SANASA and Consumer Cooperative Federation of Sri Lanka to implement various collaborative activities. In order to create a strong financial institution, the district and provincial level cooperative banks formed into a National Level Cooperative Rural Banks' Federation. This Federation will facilitate the cooperative societies to strengthen their capital resource structure. SANASA Federation has formed a development bank and micro-insurance company mainly to cater to the needs of cooperative societies and their members. The role of the cooperative federations in Sri Lanka are mainly of the spokesman for the entire cooperative movement, rendering advisory services to cooperative sector besides conducting education and training programmes for the members, leaders and employees of the cooperative movement. The Government does not provide preferential treatment to cooperatives and at times, it interferes with the affairs of the cooperatives.

The strength of the cooperative movement in Sri Lanka is that it has grown and survived for nearly 100 years with all political, social and economic upheavals. The movement has helped the people in crisis and they have faith and trust in the movement. The weaknesses of the cooperatives are politicisation and bureaucratisation of cooperatives, lack of member commitment, lack of professional management, lack of visionary and committed leadership and inability to change as per the global trends.

Vietnam :

The cooperative movement of Vietnam has been setting up new model cooperatives such as environment cooperatives, farming cooperatives, university cooperatives and electricity cooperatives. After 1997, the cooperatives are being organised voluntarily and the business norms of cooperatives are decided by their members. The members have a right to control the cooperative operations and decide income and profit distribution. The Government and local administration do not interfere in the internal affairs of cooperatives since enactment of 1997 law. The cooperatives are aware that they have to enhance their production and business for the benefit of their members. Though the capital, technical and managerial strengths of cooperatives is lower than the other economic sectors, the cooperatives are finding

new ways and means to strengthen the capital structure and its resource base.

The cooperative federations are mostly the promotional organisations for the development of cooperatives and for building relations with the Government. The Government plays its regulatory role and helps to solve problems and create favourable conditions for the development of cooperatives. The strength of the cooperatives is visualised as in the year 2002 more than 953 cooperatives were established in Vietnam. The business unions in cooperatives are stable and the business operations are higher than the previous year. The weaknesses of the cooperatives are lack of capital, low technology, and weak management levels.

REVIEW OF COOPERATIVE POLICIES

India :

For strengthening, promoting, developing and for positioning cooperatives in the national economy, Government of India has formulated the National Policy on Cooperatives in 2002. This Policy seeks to ensure that the cooperatives function on the basis of cooperative principles and values. Policy aims at reduction of regional imbalances and strengthening of cooperative education and training and human resource development for professionalisation of cooperative management. It also visualises evolving an in-built mechanism in cooperative legislation for timely conduct of general meetings, elections and audit. It upholds the preservation of distinct identity of cooperatives, its values and principles by providing an appropriate environment and by taking the required administrative and legislative measures. Through the development of appropriate technologies, the cooperative policy aims at development of infrastructure facilities to promote functional and operational efficiency and viability of cooperatives.

For improving financial viability and resource mobilization, the National Policy aims at extending appropriate support; but this will not amount to interference in the management and working of cooperatives. The National Policy on Cooperatives has been formulated in consultation with the cooperative movement in India. The provincial and State governments have been constantly associated with the formulation of the National Policy and the regional policies of cooperative development are in line with the National Policy. The National Cooperative Union of India i.e. the apex organisation of the Indian cooperative movement has been consulted in the formulation of the Policy.

For the effective implementation of the National Cooperative Policy, the Government has prepared an action plan. Since the cooperatives have been recognised as a preferred instrument for execution of public policy in the rural areas, the government has provided fiscal concessions by exempting them from taxation in specific areas. The government also provides financial support for cooperative education and training, labour welfare and for empowerment of women and youth.

In India, the formulation of National Policy on Cooperatives preceded the formulation of amended Multi-State Cooperative Legislation. Since the objectives of the National Policy and the Multi-State Cooperative Societies Act 2002 are to promote all round development of cooperatives in the country, the policy of the legislation are in harmony with each other in substance and spirit. Though the Cooperative Policy was formulated by the government, it keeps in view the members perspective and their welfare. The Government of India has been definitely influenced by the ICA-ROAP

sponsored Ministers' Conferences as these Conferences have given broad guidelines for preparing the National Policy on Cooperatives.

Indonesia :

The role of cooperatives in the past was regulated by the government through the broad outlines of State policy with the details contained in the five year plan of the government. Though the National Cooperative Policy has yet not been formulated, the stipulations Stated in the broad outlines of the State policy 1999 are the basis for the implementation of a National Policy in the cooperative sector. The National Cooperative Programme provides for protection, preservation and strengthening the identity of cooperatives. The Indonesian government does not give any preferential treatment to the cooperatives and treat them like other forms of enterprises. Membership is generally weak in the cooperatives except for the credit cooperatives, women cooperatives, dairy cooperatives and government officials' cooperatives. Capital is a very crucial problem for cooperatives due to the weak economic potential of members and ineffectiveness of management in mobilising capital from the members. The main factor for weak human resource structure in cooperatives is the paucity of funds to train the people. Indonesia is not a federal State and in cooperative matters it is left to the regional governments to implement the policy of cooperatives. The regions can not make the cooperative law; but they have to implement the regulations based on the existing cooperative laws. Local governments can issue their own regulations as long as they are not in contravention with the existing law. In implementing, the authority of the regional governments must follow the instructions of the Minister of Cooperatives and the Minister has the right to correct or repeal the authority if the instructions are not carried out correctly. In order to prevent any differences, there is a mechanism that the President as the head of the State and the Government can make an intervention whenever considered necessary and this has been practiced several times. The department of cooperatives carries out general supervision over the implementation of cooperative laws in the regions and conducts regular coordination with the local governments.

Till 1995, the cooperatives in Indonesia were exempted from Income Tax / Corporate Tax as long as the surplus gained is from transactions with their own members. This practice differentiated the cooperative which is member-based from other enterprises which are capital based. After 1995, the cooperatives were put on equal footing with other types of enterprises.

In the social sector, the cooperative is a compulsory subject upto the secondary schools. In the health and housing sector, the State policies provide ample opportunities for the operation of cooperatives. The cooperatives among women are very successful in credit sector. In Indonesia, though the cooperative policy preceded the cooperative law, the changing national policies affected the cooperative policies and then the

cooperative law. It is necessary that the role and status of cooperatives in the sector policies are consistent with the National Policy of Cooperatives. The ICA-ROAP sponsored Ministerial Conferences do have its impact in framing and adopting the cooperative policy.

Iran :

In Iran, there is no comprehensive cooperative policy. The only legal source in this regard is the stipulations of the cooperative law and principles 43 and 44 of the Iranian constitutional law. For formulating the cooperative policy, the unions propose their needs for the rules and regulations to the Ministry of Cooperatives and the Ministry after a technical appraisal, puts it before the Parliament and after the same is passed by the Parliament, it comes into effect. The Ministry of cooperatives supervises the cooperative education programmes and is responsible for registration and research of cooperatives. In sectoral policies, there are very few provisions for cooperative development and on the basis of such provisions, the cooperatives are involved in the areas like consumer, housing and employment generating cooperatives and enjoy some exemption from taxes. The new cooperatives are being set-up with the members of University graduates in the social sector such as health, youth and women.

Iran is one of the rare countries where a national status is provided to cooperatives under the Constitution. Principal 44 of the Iranian Constitutional Law stipulates that the national economy is based on 3 sectors namely government, cooperative and private. The constitution of Iran also provides for a comprehensive unifying cooperative law. There are some proposals from the cooperative movement which are under consideration by the Ministry of Cooperatives regarding facilitation of banking advantages for cooperatives. The cooperative movement of Iran believes that the Government of Iran has not significantly put the ICA-ROAP Ministerial Conferences recommendations into practice.

Israel :

In Israel there is no National Cooperative Policy and the Department of Cooperatives takes care of the cooperative legislation. Whenever there is a need, the cooperative law is amended accordingly. The Israel cooperative movement do take note of the recommendations of the ICA sponsored Ministerial Conferences in framing the new legislation or while carrying out amendments in the existing cooperative laws.

Kuwait :

In Kuwait, there is a National Cooperative Policy for the development of cooperatives. But the cooperative legislation is found to be not conducive for the development of cooperatives under the new situation and this led the Government to amend the provisions which were restrictive in getting cooperative societies accomplish

its aims. In the social sector, the cooperative societies which build up the national cooperative projects in all the fields and in all the areas reduce the responsibilities of the State and it also provide social services like health, education, entertainment and religious services to its members. The cooperative movement of Kuwait feels that the ICA-ROAP sponsored Ministerial Conferences influence to a great extent in framing and adopting the cooperative policies and legislation.

Malaysia :

The Government of Malaysia has formulated a specific national policy for strengthening promotion and development of cooperatives. The National Cooperative Policy provides for the short term and long term objectives to be achieved for the economic growth and for social development. The government's role is solely to regulate and enforce the policy. The provincial and regional governments have not formulated separate policy for development of cooperatives. The Government of Malaysia and the Malaysian cooperative movement hold discussions on the important issues of cooperative development involving the representatives of other apex cooperative organisations. The establishment of National Consultative Cooperative Council - an institutional mechanism for effective implementation of national cooperative policy - is in the offing. In addition, Cooperative Coordination Committee is formed at the district, State and Ministry levels as a joint forum to hold discussions and exchange views on cooperative activities.

The cooperatives are extended tax incentives on their net profits. The income of a cooperative society is exempted from tax liability for a period of 5 years commencing from the date of registration of such cooperative society.

The cooperative legislation of Malaysia existed since 1922 whereas the National Cooperative Policy has been formulated recently. The cooperative legislation now needs reformation based on the spirit of the National Cooperative Policy. The Cooperative Act has always been used as a general guideline whereas the cooperative policy will be more statutory and regulatory in nature and can be utilised for supervision of cooperatives. The Cooperative Societies Act and the National Cooperative Policy are in harmony with each other. The joint declarations of ICA - ROAP sponsored Ministerial Conferences have been adopted while formulating the cooperative policy.

Nepal :

In Nepal, there is no specific National Policy for strengthening and promoting cooperatives. However, the National Cooperative Development Board has started formulating the policy through a group of consultants. The draft prepared by the consultants incorporates all the ingredients for developing a strong cooperative movement in the country. The National Policy, if approved, and implemented effectively, could protect and preserve the identity of cooperatives in the competitive global

economy. Though the National Cooperative Policy must come before the legislation is enacted, in Nepal, the cooperative legislation has preceded the formulation of National Cooperative Policy. The proposed National Cooperative Policy has made a specific provision for reformation of cooperative legislation. The ICA Ministerial Conference has been able to influence the Nepal Government in formulation of Cooperative Policy. The National Cooperative Development Board headed by the Agriculture and Cooperative Minister has taken initiative for formulation of the cooperative policy which is at the final draft stage.

Philippines :

The National Cooperative Policy has been formulated by the Government of Philippines under Section 3 of the executive order No.96. The National Policy enunciates the role of the State in cooperative development and recognises cooperatives as autonomous associations for the economic and social betterment of their members. The policy Statement protects, preserves and strengthens the identity of cooperatives, recognising it as a distinct sector of the economy. The government has endeavoured to broaden its consultation with the cooperative sector in the formulation and implementation of government policies and programmes that affect cooperatives. Though the government gives financial support to cooperatives, due to the limited means to finance new ventures, only the successful cooperatives have access to commercial credit. The government has maintained the policy of non-interference in the management and operations of cooperatives. The Government of Philippines encourages people's participation and they have ensured the involvement of cooperative representatives in the process of formulating National Policy on Cooperation. Before finalising the draft policy, it was also subjected to public opinion. The establishment of Cooperative Development Councils at the national, regional, provincial and local levels are meant to provide the cooperative movement a system for consultation with regard to programmes and projects on cooperatives. The special policies of the government for fiscal and social sectors also recognise the special nature of cooperatives and treat them specially.

The declaration of the State policy on cooperatives is a part of the Cooperative Code of the Philippines. The various provisions of the Code are in accordance with the State policy. The cooperative policy and legislation are in complete harmony with each other. Besides the National Policy, there is also the Medium Term Philippine Cooperative Development Plan which contains the collective vision and mission of the cooperative sector for the plan period.

For strengthening the cooperative federations and unions, it is necessary that the cooperatives themselves formulate their own policies keeping in view the members' perspective which can enable them to effectively address the needs of their affiliate cooperatives at the grass root level.

Singapore :

The Government of Singapore does not have a specific National Policy on Cooperatives. Through the good management practices, effective membership support, setting social objectives and continuing to remain relevant, the identity of cooperatives is protected, preserved and strengthened. Under the Cooperative Societies Act, there is a provision for Central Cooperative Fund for development of cooperative education and training, research, audit and for the development of cooperative movement in Singapore. Cooperatives are exempted from the stamp duties under the Stamp Duties Act on any instrument executed by or on behalf of a cooperative. SASCO is developing a senior citizens home and the Government of Singapore has pledged to support up to 90% of the development cost. Since amendment of law is more time consuming, the policy is easily subject to change. Policy is formed within the legal framework and its in harmony with each other. The Government of Singapore has the regulatory functions to perform for the development of cooperatives and the cooperative laws are reviewed as and when necessary. The policy on cooperative development is the sole responsibility of the apex body.

The apex organisations organise and supervise effective centralised services for cooperative education and training, supplies, marketing, banking, transport, accounting and audit etc. The cooperatives must meet the emerging needs of the society and for this reason, they need basic policy on development of cooperatives. There is also a need for the formulation of policies at the national level based on the members' perspective. The cooperative movement of Singapore feels that the Government of Singapore is influenced by ICA-ROAP sponsored Ministerial Conferences in framing and adopting cooperative policies.

Sri Lanka :

The Cooperative movement of Sri Lanka has adopted the Cooperative Identity Statement pronounced by the ICA and follows the spirit of the Identity Statement for development of cooperatives in Sri Lanka. In terms of ICA Identity Statement, the government also recognises the autonomy of the cooperative movement and provides legal and administrative structure necessary for the same. The Government recognises that the cooperatives should be free from political interference. A code of ethics has been formulated to take legal action against offences committed by the Board of Directors and employees. For active participation of members in the cooperative activities, there are specific provisions in the policy and legislation. The policy also visualises structural changes to face the challenges of open economy. To facilitate local and foreign trade in the cooperative sector, efforts are being made to create conducive environment.

Professionalisation in cooperative management is being created by giving more emphasis on human resource development of cooperatives. Training programmes are

organised to ensure committed membership and for the positive attitude of the members. Registration and supervision, monitoring of cooperatives is the responsibility of the Registrar of Cooperative Societies. Registration procedure needs to be simplified and the cooperatives should be registered after one year period of probation having judged their performance. Specific indicators need to be developed to judge the performance of societies. A period of grace is given to weak and defunct societies for improvement and if they fail, their registration is cancelled. Accounting system of cooperatives needs to be developed at par with international standards. It is the responsibility of the Department to ensure that the audit is done according to the international standards whereas annual audit is the primary responsibility of the Board of Directors of the society. For non-submission of the Audit Report, the Commissioner has the power to cancel the registration certificate of the society.

If the policy is successfully implemented by the government, it will ensure the protection of cooperative identity defined by ICA. It will also ensure the cooperatives to compete with other sectors of economy thus enabling the cooperatives to become member-owned and member-controlled organisations fulfilling the needs and aspirations of its members.

The proposed National Policy avoid the use of cooperatives as instruments of performing its welfare and other depending activities. This will provide the societies a level playing field with other sectors of the economy.

Since the Central Government has not fully defined and adopted the cooperative policy, the provincial councils follow their own cooperative statutes. For the formulation of National Policy of cooperatives, a Presidential Commission was appointed to examine and analyse the prevailing state of cooperatives in Sri Lanka, to identify the existing weaknesses and propose reforms to overcome the same. Since the Commission has submitted its report to the President, the Government has not provided any defined place in different sectoral policies like fiscal and social where the cooperatives have large potential to operate. There is a need to formulate National Policy on Cooperatives and the cooperative legislation should be drafted thereafter on the lines of the policy. Though there is a need to bring favourable cooperative policy and legal framework which protects and promotes that policy, Sri Lanka has not declared the policy and the cooperatives are operating on an out-dated legal framework. In the absence of National Policy, the donor agencies like IMF and World Bank are exerting influence on the government to effect radical changes in cooperatives. Accordingly, government institutions in cooperative sector are being restructured. If the cooperative movement of a developing country has to be made a strong partner in the economy of a country, it needs to have a favourable policy support for the cooperatives to compete with other sectors. Though the cooperatives in Sri Lanka have expanded their activities in all sectors of the economy in an organised manner, their performance is of special significance in consumer, agriculture and rural financing.

The Ministerial Conferences organised by ICA do have an impact which enables to change the attitude of political leaders and provides guidance to implement the resolutions of such conferences for the benefit of the cooperative movement.

Vietnam :

The National Cooperative Policy envisages that the cooperatives can rent land from the State and the State assigns the land-using right to the cooperatives whereas the agriculture production, forestry and fishery cooperatives are assigned land without payment. Newly established production, construction and transportation cooperatives are exempted from the levy of Income Tax in the first two years and are charged 50% Tax in the next two years. In special and difficult areas, cooperatives are exempted from Income Tax in the first four years and pay 50% of the tax in the next 9 years. For the training courses of the State, the executive managers and inspectors of cooperatives are charged only 50% of the fees.

The National Cooperative Policy ensure that the cooperatives are treated equal to other economic enterprises in the market. To reduce the State interference in cooperative activities, the cooperatives have to accept equal competition with other enterprises. When any document is issued in Vietnam by the Centre, it has to get approval from the local level authorities and after the Government issues cooperative policies, the provincial level administration issues a more comprehensive document and its contents do not go against the State document. While framing the National Policy, the government takes opinion from the primary cooperatives. The cooperative representatives do take part in the central, provincial and primary level seminars and workshops and the government facilitates the members of the cooperative movement to join at such forums where the policies are formulated.

Since the Government of Vietnam has not yet formulated a clear cut policy for cooperative sector, the general policies apply to the cooperative sector for social, health-care, education and women, youth, labour welfare and poverty alleviation. The cooperative movement wants separate special policies for the cooperative sector because the objective of cooperatives is to serve the members and the community at large whereas the other enterprises main objective is profit.

REVIEW OF CO-OPERATIVE LEGISLATIONS

India :

The co-operatives in India have secured a permanent place in the Indian constitution in three aspects i.e. (i) imposition of specific direction on governments (federal and provincial) to promote cottage industries on co-operative basis (Art.43); (ii) express conferment of law making power on co-operatives by federal [list I, entry 43 and 44 of 7th schedule of Constitution] as well as provincial [list II, entry 32] governments; and (iii) recognition of enjoyment of fundamental rights such as right to equality (Art.14) right to form associations [Art.19(1)(c)], liberty available to co-operatives (Art.21) and promotion of economic interest of weaker sections by co-operatives. With regard to laws enacted by provincial governments, all the provincial laws retained larger degree of uniformity with smaller degree of deviations that too found necessary due to local conditions and situations. In addition, at the instance of federal government, the provincial governments started enacting uniform co-operative laws conferring greater freedom and autonomy to co-operatives on the one hand and withdrawing excessive powers enjoyed by Registrar and government on the other.

The Multi-State Co-operative Societies Act (MSCS), 2002 of India passed by federal government has extensively incorporated all the co-operative values and principles. The MSCS Act 2002 and other self reliant parallel co-operative laws enacted by provincial governments contain fairly adequate provisions to preserve and strengthen co-operative identity. The MSCS Act 2002 also contain provisions relating to cooperation among co-operatives [S.63(2)], strategic alliance with co-operatives, companies, private and public sectors [S.19 & 64(d)], equity participation in other co-operatives [S.64(c)] etc. In India most of the provincial co-operative laws contain a separate chapter on various sectoral co-operatives such as land development banks, urban co-operative banks, farming societies etc. At the same time, the Banking Regulation Act, 1949 applicable to all banks contain a separate chapter for co-operative banks (Part-IV, S.56).

The initiation of reforms under co-operative law is very encouraging and satisfactory in India. The reforms have taken place broadly under two ways i.e. (a) total reform (enactment of new law by removing the restrictive provisions found in the old laws) and partial reforms (bringing necessary changes and modifications in the existing laws). The co-operative laws passed prior to 1991 contained several restrictive provisions conferring excessive power and control upon Registrar (power of supervision, issue directions, make rules, appoint nominee on the board, direct special audit etc.) and government (to exercise functional control, admission of members, conduct of elections etc.)

The MSCS Act 2002 extensively modified the provisions relating to conduct of Audit over the previous enactment (MSCS Act, 1984). The major reforms brought in, inter-alia; include (a) appointment of auditor by the co-operative society, (b) grant of approval for the preparation and maintenance of panel of qualified auditors prepared by the society, (c) reappointment of auditors, (d) removal of auditors by the society, (e) prescription of qualifications and disqualifications for appointment of auditors etc. The law recognised the importance of management of co-operatives by members as it attempted to regulate the government nominee in the board of co-operatives, provided for the promotion of subsidiary organization (S.19) as well as establishment of federal co-operatives with enlarged role and functions (Chapter-III, S.23 & S.24).

Indonesia :

The co-operatives find a place under Art.33(1) of country's constitution as per which the economy is structured as a co-operative endeavour based on brotherhood. Indonesia is a unified country having only one co-operative law, hence, all the legal stipulations concerning co-operatives are valid through out the country in all provinces. There are only a few sectoral laws that protect the interest of co-operatives such as unfair competition and against monopolistic practices Act (no.5 of 1999) and tax laws. In all other cases, the general stipulations of other laws apply equally to co-operatives without any special treatment to co-operatives.

As the co-operative law in force at present in Indonesia was enacted in the year 1992, hence, there was no scope to incorporate the ICA-International Co-operative Identity Statement enunciated in the year 1995 in the said law. The law of 1992, however, incorporated the ICA principles of 1966. At the same time, the enactment of new co-operative law is underway wherein a consensus has already been reached to incorporate the definitions values, principles of ICIS, provisions pertaining to cooperation among co-operatives, strategic alliance, equity participation in other co-operatives etc. After 1999, the erstwhile interventions in co-operatives by co-operative department have been checked and those powers are transferred to the local authorities. The present role of government is confined mostly to conduct education and training and improving the professionalism of members, employees and directors. The co-operative law in force at present conferred power upon government to extend protection to co-operatives by providing appropriate regulation such as activities to be undertaken by co-operatives in general and reservation of economic activities to successful co-operatives against the exclusion of others in particular.

The present law conferred the duty to conduct timely audit upon board of supervisors with the freedom to carry out an independent external audit. The law recognised the importance of management of co-operatives by members by codifying the matters to be decided at the members meeting. It has also provided for the closure of co-operatives on the grounds such as failure to fulfil the requirements of laws or

acted against public order and outlived its existence. The law has also provided adequate freedom to co-operatives to form federal co-operatives.

Iran :

The Co-operative Sector has been treated as one among the three national sectors as per Principles 44 and 43 of the Constitutional Law of Iran. There is no separate provincial legislation for co-operatives. The laws applicable to other forms of enterprises are equally made applicable to co-operatives with occasional advantages conferred upon the co-operatives. The co-operative values and all the seven ICA Principles of Cooperation 1995 do find a place in various articles of co-operative law. The Government of Iran is of the opinion that the said ICA Principles are not enough to preserve and strengthen co-operative identity, hence, more effective policies are under consideration to strengthen the process of co-operative identity. The law enabled the co-operatives to cooperate among co-operatives, but, fails to provide for having strategic alliance with domestic and overseas market, companies in private and public sector. It appears that appropriate initiatives for bringing reforms under co-operative law have not yet been taken, as the Iranian Chamber of Co-operatives is currently surveying such need of the co-operatives. The law is found adequate enough to encourage formation of new co-operatives and other forms of enterprises. The government does not exercise excessive power. However, the poorness of the business environment, factors such as liquidity, poor socio-economic participation by members, low HRD etc. in co-operatives operate as the limiting factors for their growth. The co-operative training and education is promoted with the help of resources generated in two ways i.e. allocation of 4 per cent of the net profit in addition to governmental support and involvement of higher learning centres and institutions. The functions, duties and responsibilities to be discharged by board of directors, office bearers and chief executives have been clearly demarcated under co-operative law. The law provided for the establishment of federal co-operatives.

Israel :

There is no reference about the co-operatives under the Constitution of Israel and also there is no specific law applicable to sectoral co-operatives. Instead, the laws applicable to other forms of economic enterprises are equally made applicable to co-operatives. The county is having special legislation regarding taxation. The ICA Co-operative Principles 1995 do find a place in the existing Co-operative Law. The co-operative law aimed to preserve and strengthen co-operative identity. The co-operatives are generally satisfied with the existing provisions of co-operative law, still, the State has proposed modern legislation based on the experience and cooperation of the movement. The provisions of law is adequate enough to encourage formation of new co-operatives and new enterprises. There are restrictive provisions in the co-operative law. The law recognized the supremacy of general body. It has also provided for the establishment of federal bodies.

Kuwait :

Article 23 of the Constitution of Kuwait stipulates that the State shall support the cooperation and saving system and supervises the credit system. Co-operatives are governed by the co-operative law, the present one in force being passed in 1979. The state does not have any other laws applicable to sectoral co-operatives for regulation and control. The law itself does not contain the Principles of Cooperation but the same is incorporated in the rules. However, the principles incorporated under the rules do not reflect the ICA revised principles of cooperation adopted at Manchester Congress. A proposal is pending for consideration of the legislative assembly to provide 2 per cent of profit to co-operative education. The co-operative values are by and large incorporated under the law.

Malaysia :

The constitution of Malaysia does not contain any special provision concerning co-operatives. The subject co-operation falls under the legislative competence of national government as the Co-operative Societies Act 1993 and Rules 1995 apply to all co-operatives registered throughout the country. There is only one legislation called the "Ahta Bank Rakyat Malaysia Berhad 1978" enacted for the exclusive benefit of People's Co-operative Bank. With regard to the application of other laws to business enterprises at par with co-operatives, the enactment of Housing Developers' Act 2002 is worth noting. The provincial governments do not have power to enact laws on co-operatives. The provisions of Co-operative Societies Act 1993 and Rules 1995 are adequate enough to protect and strengthen the co-operative values on the one hand and preserve and strengthen co-operative identity on the other. The present law, though contain the principles of co-operation, the same is not in conformity with the ICA Principles of Co-operation, adopted at Manchester in the year 1995. It, however, appears that the government has already agreed in principle to adopt the said ICA Principles in toto.

The law provided for extension of co-operation among co-operatives (Sec.2 of 1993 Act) and equity participation in other co-operatives and non-co-operative form of enterprises.

As on date, the Government of Malaysia has not initiated co-operative legal reforms in the country. However, it is in the process of bringing amendments, which are likely to remove the ambiguity, prevailing in the interpretation. The Act 1993 provided for the freedom and autonomy on the one hand and democratic character of co-operatives on the other hand. Though the law prescribed for obtaining the approval of the Registrar in few areas such as amendment of bye-law and formation of co-operatives, etc., the same are not considered as restrictive provisions.

The law provided for contribution to funds by co-operatives, for the purpose of providing training and education to all concerned. The law specified the functions

and duties to be performed by the board of directors and liability of members of the board, apart from making provision for the conduct of audit. The supremacy of general body is retained under the Act. There are sufficient provisions under the law to prevent abuse and misuse of power by authorities concerned. The law provided amply for the establishment of federal co-operatives.

Nepal :

There is no specific constitutional provision dealing with co-operatives. Nepal being a unitary form of government, the subject 'cooperation' has always fallen under the legislative competence of His Majesty's Government of Nepal. There are a couple of laws made applicable to sectoral co-operatives like banking (The Nepal Rastra Bank Act 1992). The co-operative law in force in Nepal incorporated some of the co-operative values such as self help, self responsibility, democracy and social responsibility. Similarly, the co-operative principles such as democratic member control, member economic participation, autonomy and independence and education and training have been incorporated under the rules. The law provided for extension of cooperation among co-operatives, making strategic alliance with co-operatives, companies, private and other co-operatives etc. The initiation of reforms under co-operative law is still in draft form only. The existing co-operative law, however, provided for the formation of new co-operatives and other forms of enterprises. Though several co-operative training institutions have been established by the government, it failed to meet the demand for bringing professionalism into co-operatives. The co-operative law specified the specific functions, duties and responsibilities to be discharged by various management organs of co-operatives such as Board, CEO and office bearers. The co-operatives have been empowered under law to appoint auditor to get the accounts of society audited timely. The management of co-operatives is held responsible for the possible abuse and misuse of authority. The law has also provided for the establishment of co-operative federations for providing support services.

Philippines :

The sections 1, 5, 6, 15 of Article XII of the constitution deals with the subject of co-operation. Generally, cooperation is the national subject for the purpose of enactment of law as the Republic Act 6938, otherwise known as Co-operative Code of the Philippines which has been enacted by the Congress of the Philippines. The provincial government has also got the power to enact laws on co-operatives functioning within the province. However, efforts are not being made to bring uniformity in co-operative laws. There are several laws dealing with sectoral co-operatives such as co-operative banks, insurance co-operatives, electric co-operatives, transport co-operatives, etc. The co-operatives in Philippines are governed by the Co-operative Code of the Philippines only and not by any other laws. The co-operative law elaborately contains provisions to protect and strengthen co-operative identity. For example, the

co-operative values such as self-help and self-responsibility [Art.2], democracy [Art.4(2)], equality [Art.4(1)], has been elaborately incorporated under the above referred articles. Similarly, all the seven ICA Principles of Co-operation have also been extensively incorporated [(i) Art.4(1); (ii) Art.4(2); (iii) Art.73; (iv) Art.2, (v) Art.4(5), (vi) 4(6) and (vii) Art.87 (ii)] under law.

With regard to co-operative legal reforms, the country has not yet actually initiated any reforms process. However, proposal for amendments is pending before the Congress for clearance. It appears that the existing co-operative laws are not adequate enough to encourage formation of new co-operatives and other forms of enterprises. The co-operative law in force at present does not contain restrictive provisions enabling government to exercise excessive control, thereby leading to infringement of co-operative autonomy and its democratic character. The law provided for undertaking co-operative education and training activities (members, employees and management) for the purpose of bringing professionalism into co-operatives.

The law failed to clearly demarcate the powers, functions, duties and responsibilities to be discharged by the board of directors, office-bearers and chief executives, etc. It needs to be clearly defined, so as to avoid possible issues raised on the interpretation of various provisions of the Act. The law provided for the conduct of annual audit [Art.81], by professionally qualified auditors. As per law, the general body appears to be supreme, but in reality, failed to clearly define the right and responsibilities of members. The law is not flexible enough to accommodate possible changes in the business operations of co-operatives. The Art.24 & 25 of the Republic Act 6938 provided for the establishment of federal co-operatives.

Singapore :

There is no constitutional provision dealing with co-operative. The national government alone is having legislative competence to enact law on the subject cooperation. There are laws such as Insurance Act applicable to specific co-operatives such as insurance co-operatives. In addition, there are several laws governing all forms of enterprises including co-operatives in equal measure. The co-operative law of Singapore, has incorporated various co-operative values (self help, self responsibility, honesty, openness, social responsibility, etc.) and the ICA principles of cooperation 1995. The law is adequate enough to preserve and strengthen co-operative identity, enable co-operatives to cooperate among themselves, have equity participation in other co-operatives and other enterprise. However, there is no specific provision enabling co-operatives to have strategic alliance with co-operatives in other countries as well as with companies in private and public sector.

The government of Singapore has not yet initiated any co-operative legal reforms. The law is adequate enough to encourage formation of new co-operatives and new forms of enterprises. Fortunately, the co-operative law does not contain

restrictive provisions conferring excessive control and interference in the management of co-operatives by Registrar and government. The law provided for the utilization of Central Co-operative fund in furtherance of co-operative education, training and research, audit and for the general development of the co-operative movement. The law has adequately provided for the smooth functioning of various management organisations of co-operatives by clearly demarcating the functions to be performed and duties to be discharged by board of directors, office bearers and chief executives. The law conferred power upon the Registrar to carry out the conduct of audit of account of societies. The law recognized the importance of management by members and also provided for checking the abuse and misuse of power and authority by all concerned. The federal co-operatives could also be registered under the law for the purpose of providing needed support services.

Sri Lanka :

By way of an amendment made in the Constitution in the year 1987, a reference has been made on Co-operatives. The Central Government of Sri Lanka as well as four out of eight provincial governments enacted their own Co-operative laws. The remaining four provinces follow the Central Government Act No.5 of 1972. Attempt has not yet been made to bring uniformity in Co-operative laws. There are no specific laws made exclusively applicable to Co-operatives, however, a Co-operative Bank and an Insurance Company could be registered under the Companies Act. Equally, there are other laws under which Co-operatives are treated at par with other forms of economic enterprises. The Co-operative being the “devolved” subject, the Central Government has no legislative competence to enact on the subject Cooperation without the express consent of provincial governments. The present law in force was enacted in the year 1972, hence, it does not mention anything about co-operative identity, co-operative values and principles. At the same time, the existing co-operative law contain provisions adequate enough to preserve and strengthen co-operative identity. The co-operative law, by and large, failed to provide for strategic alliance with Co-operatives in domestic and overseas market companies; however, a few co-operatives have formed strategic alliance, of course, with the approval of concerned Minister and Registrar. The present law contained several restrictive provisions which is the broader area of dissatisfaction of Co-operatives. In other words, the Co-operatives are dissatisfied with the excessive control conferred upon the Registrar in almost all aspects of co-operative functioning. With regard to initiation of Co-operative legal returns, it is sufficient to state that nothing has been done though the effort was on since 1995, which resulted in making recommendations including revision in co-operative law. Neither there is a provision to encourage formation of new co-operatives nor there is any obstacles against such formation.

There is no provision in the law for: (a) promoting education and training for bringing professionalism amongst members, employees and directors; (b) towards

demarcation of functions, duties and responsibilities of board of directors, office bearers, chief executives and other management committees and (c) stipulating the supremacy of the general body. The law provided for the conduct of annual audit by Registrar who is authorized to inform any defects observed to the society apart from issuing direction to the society to take appropriate action. The Section 3 of the Act provided for the establishment of federal, secondary and tertiary level co-operatives.

Vietnam :

The Article 15, 16 and 20 of the constitution directly relates to co-operatives. In Vietnam, any legal document on co-operatives stipulated at the central level also works at provincial level as there are no provincial legal documents against the stipulation of central level documents. In other-words, the power to enact law on the subject cooperation has not yet been delegated at provincial level. The other laws applicable to all forms of enterprises including co-operatives includes, laws on taxation, law on land, law on credit institutions, laws on domestic investment and rule on social insurance. The Vietnam co-operative law promotes and strengthen the co-operative identity more than adequately through several provisions containing the co-operative values such as self help, self responsibility, equality, equity etc. as well as co-operative principles. The co-operative law also contains provisions pertaining to (a) cooperation among co-operatives; (b) strategic alliance with co-operatives in other countries as well as other companies in private and public sector, equity participation in other co-operatives etc. The government provides financial support and assistance to promote co-operative training and education in co-operative sector. The law specified the duties and responsibilities of the board of directors and office bearers. However, the same law failed to stipulate guidelines and procedure to conduct the audit of co-operatives. Nevertheless, the law clearly defined the functions of general meeting, rights and obligations of members in co-operatives apart from ensuring the flexibility for changes in the business operations of co-operatives based on the needs and changes in the market conditions. Last, but not the least, the law provides for the establishment of co-operatives federations.

GOVERNMENT AND COOPERATIVES

India :

The Government of India under the National Cooperative Policy and the newly enacted Multi-State Cooperative Societies Act, 2002 is committed to provide necessary support for promotion and development of cooperatives as autonomous, independent and democratic organisations so that they can play their role in the socio-economic development of India. The responsibility for the appointment of Auditor which was earlier with the Central Registrar of Cooperative Societies has now been given to the Board of Directors of respective cooperative. The monitoring and control of cooperative activities has been transferred to the sectoral federations. The Cooperative Societies Act provides for settlement of disputes through arbitrator. The provisions of the new Act are considered effective to achieve the purpose and objective of cooperatives. But the same procedure has yet to be followed by the State Cooperative Societies Act. The provisions of the new Act are in consonance with the principles of self-regulation, autonomy and independence of cooperatives. The Government of India is fully committed to the growth and development of cooperatives and is also providing financial support to cooperatives at various levels specially for weaker and disadvantaged sections of the society such as labour, women and fishery, etc. The newly enacted Multi-State Act provides for the enabling provision with regard to loans and subsidies to cooperatives, modernisation of infrastructure facilities, premium of crop insurance, credit guarantee for cooperatives, education, training, publicity and information technology. The Multi-State Cooperative Societies Act has made a specific provision for disengagement of government and redemption of shares held by the government in cooperatives.

For transformation of rural economy in the country, there was cooperative partnership with the governmental agencies which led to over-dependence of cooperatives on government aid which in turn led to government interference eroding the cooperative autonomy; and the recent legislative reforms have ensured cooperative autonomy and democratic functioning and participation of members in decision making process. The Government of India and the National Cooperative Federations have continuous consultations in regard to policy formulation and legislative reforms. Besides, the government appoints special committees to consider important issues concerning cooperative organisations.

Indonesia :

In Indonesia, the process of promotion and development of cooperatives is being carried out by the government. The inspection of cooperatives is one of the main duties of the government and is carried out within the framework of extension

activities. Monitoring is done by the government where the cooperatives have to submit a periodical report concerning their activities. The law does not regulate the settlement of disputes and this is left to the cooperatives. The stipulations stated above are in contradiction with the principle of self-regulation, autonomy and independence. The only way to handle this problem is that the cooperatives are made to adhere to their identity through education and the law should force them to implement the same consistently. The power and authority of the government must be regulated in such a way that it does not contravene the cooperative identity.

Since 1999, the government is no longer directly involved in the cooperative management but it is indirectly involved through business development policies. It is desired that the government does not involve itself in cooperative business but keep vigil on the organisation, management, education and training. Business problems should be settled by the cooperatives themselves. The credit to cooperatives is extended through the banks following the bank procedures and the government provides funds in the national budget to the cooperative movement for the developmental activities of cooperatives. The law does not provide any regulation for government equity in cooperatives; but the government can provide loans to cooperatives. Subsidies can be given if a programme is included in the state budget. Recovery of cooperative loans is also done through the banks. Deposit insurance has never been practised earlier; but at present, it is being considered. Credit guarantee on loans given to members by cooperatives is generally not done by cooperatives. There is no provision for crop insurance in Indonesia. In case of crop failure, the government right off loans to reduce the debts of the farmers. The government participate actively in education, training, publicity and information technology of cooperatives utilising the government budget. The government, in an era of reforms, has started disengaging itself from direct involvement in cooperative activities. In the past, the government support and financial assistance to cooperatives led to interference which eroded the autonomy and independence of cooperatives. There is no institutional arrangement for regular consultation and interaction; but usually consultation with the government is done whenever necessary.

Iran :

The cooperative law and policies do specify the role and functions of cooperatives for the promotion and development of cooperatives, inspection and audit and monitoring and control. The Iranian Chamber of Cooperatives, with branches at the provincial level, has the responsibility to settle disputes and in case the chamber could not settle the disputes, they are referred to the Ministry of Cooperatives. Though the provisions visualised for the cooperatives are effective and adequate to achieve the purpose and objectives for which they have been created, it is believed that the same would be more effective if a detailed and committed mechanism is defined to achieve the same. The provisions visualised are not in contradiction or conflict with

the principles of self-regulation, autonomy and independence of cooperatives. The government does not engage itself in the management and business of cooperatives except for the rural cooperative sector. The government gives support and financial assistance to cooperatives for promotion, education and training. The cooperative legislation of Iran does not provide for equity participation of the government in cooperatives. There are no cooperative banks in Iran but there are credit cooperatives to which no government support is provided. There is no system for crop insurance to the farmer members of cooperatives. The government support and assistance is provided for education, training, publicity and information technology. The government plays the role of a facilitator for the cooperative sector and there is no intervention and control eroding the autonomy and independence of cooperatives. The Ministry of Cooperatives is In-charge of establishing the consultative mechanism for continuous consultations and interaction for policy formulation and legislative reforms.

Israel :

In Israel, there is no government support available to cooperatives at any level. There is similarly no provision for disengagement of government from cooperatives. Recently, the government and the cooperative movement have jointly established a consultative mechanism for continuous consultations for policy formulation and legislative reforms.

Kuwait :

In Kuwait there is a Committee consisting of specialists in the Ministry of Social Affairs and Labour and the Federation of Cooperative Societies Commission to amend the existing cooperative legislation. There are other Committees in which the Federation of Cooperative Societies participate along with other government authorities who do the cooperative work and consider the commitments of cooperative.

Malaysia :

The cooperative legislation of Malaysia provides for promotion and development of cooperatives, inspection and audit, monitoring and control. The Registrar General is the authority whereas for settlement of disputes it is the Tribunal looking after the disputes in cooperatives. The provisions for achieving the purpose and objectives for which they have been created are effective and adequate and they are not in conflict with the principle of self-regulation, autonomy and independence of cooperatives. The government believes in creating a suitable environment to the implementation of relevant policy for cooperatives to manage their own affairs. The government gives support to cooperatives for policy framework. The government also provides soft loans through capital revolving fund to cooperatives which require loan for working capital requirements. Such financial assistance is also provided by subsidies to small cooperatives. The cooperative legislation of Malaysia does not make any provision

for disengagement of government from cooperatives and the government support to cooperatives does not lead to government interference and control eroding the cooperative autonomy. The Cooperative Act provides for the establishment of National Cooperative Consultative Council for policy formulation and legislative reforms.

Nepal :

The Cooperative Societies Act specifies the role and functions of inspection, monitoring and settlement of dispute by for the department of cooperatives. It only approves the appointment of the auditor. Control over cooperatives is not within the purview of department of cooperatives. The National Cooperative Development Board is entrusted with the responsibility of promotion and development of cooperatives. The HMG is not engaged in the management and business of cooperatives but it provides some financial support as a token to the national level cooperative unions. Some of the government agencies provide support to the district and village level cooperatives for education and training.

In Nepal equity participation of government is permissible in cooperatives. Though there is no specific provision to provide loan and subsidies to cooperatives, the HMG provide subsidies to them and not loan. There is no provision in the Cooperative Act which enables cooperatives to obtain HMG assistance for education, training, publicity and information technology. The HMG assistance to cooperatives has not led to government interference and control eroding the autonomy of cooperatives. No consultative mechanism or institution has been established for continuous interaction in regard to policy formulation and legislative reforms.

Philippines :

The cooperative law of Philippines specifically provides that the cooperative department is responsible for promotion, development, inspection, audit, monitoring and settlement of disputes of cooperatives. The Act specifies the powers and responsibility of this authority comprehensively. These provisions are effective and adequate to achieve the objectives of cooperatives for which they have been established.

Singapore :

The Cooperative Societies Act is administered by the Registrar of Cooperative Societies within the Ministry of Community Development and Sports. The provisions are considered sufficient for the development of cooperatives. The provisions visualised under this do not conflict with the principles of self-regulation, autonomy and independence of cooperatives. The government in Singapore does not engage itself in the management and business of cooperatives.

The Central Cooperative Fund is being administered as a Trust Fund for

furtherance of the development of cooperatives in Singapore. The cooperative legislation does not contain enabling provisions for equity participation of government in cooperatives and for giving loans and subsidies to cooperatives. Though it gives support for modernisation and for infrastructure facilities, it does not give credit guarantee for cooperatives to enable them to borrow from financial institutions. There is no credit-guarantee on loans given to members of cooperatives. The government gives support for the education, training, publicity and information technology. The Government of Singapore discharges only regulatory functions and promotion and growth of cooperatives are ensured by the apex body. Though consultation between the government and the movement takes place regularly, the government and the movement have not established any joint consultative mechanism for the formulation of policy and legislative reforms.

Sri Lanka :

The Sri Lanka Institute of Cooperative Management was established for promotion and development of cooperatives and also for management consultancy and advisory services to the cooperative societies. Though there is no separate agency for audit, the audit is still being done in terms of the provisions of the cooperative legislation by Registrar of Central Government and of the provincial councils. There is no separate agency for monitoring and control of cooperatives. Under Section 58 of Act No. 5 of 1972, the Registrar has the authority to settle the disputes. Cooperative Employees Commission Act has the authority to enquire into the problems of cooperative employees. The provisions of the Act to achieve the purpose of cooperatives need amendments to suit the global trends. Some of the provisions are in contradiction with the principles of autonomy and independence of cooperatives. Though the government of Sri Lanka is not directly engaged in the management of the cooperatives, there are instances when the government violates legislative provisions and involve itself in such activities. Assistance from the Cooperative Development Fund is granted whenever such assistance is sought by the societies. The government allocates annual budget for various developmental activities of cooperatives. The government also creates business opportunities for cooperatives through welfare and relief programmes. Funds are also made available to cooperatives for conduct of education and training programmes. In the existing cooperative legislation of Sri Lanka, there is no enabling provision for government support and assistance in regard to equity participation, loans, subsidies, credit guarantee, deposit insurance, etc. Though the cooperatives are autonomous organisations, government assistance and support to cooperatives have led to government interference and control eroding the autonomy and independence of cooperatives. There is no institutionalised consultative mechanism for interaction in regard to policy formulation and legislative reforms. The adhoc meetings do take place between the government and the cooperative stock holders.

Vietnam :

Cooperative law of Vietnam specify the role and functions of government agencies and organisations for promotion and development of cooperatives. inspection, audit, monitoring, control and settlement of disputes. These provisions are found adequate to achieve the performance and objective for which they have been established. These provisions are not in conflict with the principles of self-regulation, autonomy and independence of cooperatives. The Government of Vietnam does not engage itself in the management and business of cooperatives. The government support and assistance is provided for the training needs of cooperatives and for generation of job opportunities and for implementation of rural poverty alleviation programmes.

CAPITALIZATION

India :

Under the Multi-State Cooperative Societies Act capital can be raised by a cooperative society; through members equity contribution; mobilisation of deposits and savings and through raising of loans and receipt of grants from external sources to such an extent and under such conditions as may be specified in the bye-laws (Section 33). A Society may receive deposits, raise loans and receive grants from external sources, provided that the total amount of deposits and loans received during any financial year shall not exceed 10 times of the sum of subscribed share capital and accumulated reserves (Section 67). Multi-State Cooperative Society may invest or deposit its funds in a state cooperative bank, cooperative development bank or central cooperative bank or any other bank and in the shares or securities of other cooperatives. A cooperative society by a resolution passed at general body meeting can promote subsidiary institutions which may be registered under any law. The bye-laws of a cooperative society shall prescribe the maximum subscribed share capital of the society and the borrowing limit. It also specifies the purposes for which the reserve fund can be utilised. A Multi-State Cooperative Society may out of its net profits in any year, transfer 25% to the reserve fund, credit one% to cooperative education fund maintained by NCUI and transfer 10% to a reserve fund for meeting unforeseen losses. The balance of net profits may be utilised for payment of dividends to the members on their paid-up share capital, donation of amounts not exceeding 5% of the net profit for any purpose connected with the development of cooperative movement or charitable purpose, and ex-gratia to the employees.

Indonesia :

The capitalizations in cooperatives of Indonesia are through the initial saving, compulsory saving and grants that include equity. The capital is also borrowed from members and third parties including bonds. The law does not regulate the method to develop capital upto a certain level and this is left to the cooperatives to decide. There is no stipulation in the law for forming subsidiaries of cooperatives. The law provides for distribution of profits after deduction of the reserve funds to the members in accordance with the number of transactions of the members with the cooperative and for other purposes as per the decisions of the members. There is no stipulation in law for distributing dividend for member's equity. The law also does not provide for surplus to be allocated as reserves; but leave it to the members to decide. The law only stipulates that reserve fund should be used for the development of self-owned capital and if necessary, to pay for the losses of the cooperatives.

Iran :

In the first place, the cooperative law encourages member's contribution to

the capital of a cooperative but puts a limitation for the maximum number of shares a member can own. Earlier, the non-cooperative organisations can also contribute towards the capital of a cooperative but without a voting right but the revised law of cooperatives allows such investment with the right to vote specifying the investment limit by non-cooperative. There are a few cooperatives where their subsidiaries are fully owned by their apex cooperatives. After the deduction of tax, 4% of the net profit of cooperatives is deducted as the "Cooperation and Education Charge" and after deducting a given percent for reserves, the rest of the net profit is dividable among the members. Under the revised cooperative law, the reserves can be utilised in the business of the cooperatives.

Israel :

For capitalization of cooperatives, there is no specific legislative provision and thus, there are no prohibitions. The capital can be raised through external sources like any other organisation. For the borrowing limits also there is no specific provision but for the distribution of profits, there is a ceiling on the dividend payable to the members according to the holding of shares.

Kuwait :

The capital of cooperative is raised through the members of the society only and there is no provision for inter-cooperative investment in the capital of cooperative. The share of a cooperative shall be indivisible and may not be attached except for the society's debts. No member is allowed to own more than 1/5th of the society's capital nor that a member can subscribe to the share of more than one society pursuing the same object. The liability of the society's members is limited to the value of the shares subscribed by them in the society. There is no provision in the law relating to borrowing limits of cooperatives from the bank and other financial institutions nor there is a specific provision stipulating investment or utilisation of reserves. For distribution of profits, the law provides that the society has to meet the obligations under the law of labour in the private sector and the social insurance laws and then distribute profits as per the provisions of Article 90.

Malaysia :

Section 50 of the Cooperative Societies Act 1993 provides for capitalization of cooperatives where the funds of a registered society are raised through the entrance fees, shares, subscribed and paid by members, specific savings by the members, deposits and loans from members and non-members, surplus carried to the reserve fund, donations and grants. The law provides that no member other than a registered society shall hold more than 1/5th of the share capital of any registered society. The funds of a registered society are raised by deposits or loans from members and non-members and by donations and grants. Subject to the regulations and its bye-laws, a registered

society can invest or deposit surplus funds in any registered society approved by the Registrar General. No registered society shall form, own, acquire or hold a subsidiary without the prior approval of the Registrar General. The cooperative law provides that the society shall determine annually at its general meeting the maximum limit of indebtedness in respect of the existing and new borrowings and deposits incurring in the coming year. Section 57 of the Cooperative Societies Act 1993 provides for the distribution of profits. A society shall pay not less than 15% of its audited net profits into the reserve fund of the society. The rate of the dividend paid on shares shall not exceed 10% per annum except with the approval of the Registrar General. For utilisation of reserves, the Act provides the capital gains arising out of the sale of land or building and revaluation of land and building has to be utilised for the issue of bonus share, writing off the accumulated losses, writing off the capital losses and for the creation of a bonus shares redemption fund.

Nepal :

There are a number of provisions in the Cooperative Act for capitalization of cooperatives. The major financial sources for the capital of cooperatives are shares, sale of debentures, loans and savings. The capital can also be raised through external loans without affecting the member control. But the Cooperative Act does not have any provision for inter-cooperative investment of capital. The capital in terms of share can be invested by other cooperatives not exceeding 20% of the total capital of the cooperative. There is no particular provision for establishing subsidiaries of cooperatives nor is there a provision for borrowing the loans from banks/ financial institutions and other cooperative / Government. The financial institution has a duty to mention to what extent it can extend loans to the borrowers. After transferring 1/4th of the net surplus to the reserve fund, the cooperative may use the balance to create funds as prescribed in the bye-laws. The Cooperative Act does not speak anything about the investment and utilisation of reserve fund as it is left to the General Body to decide.

Philippines :

The Cooperative Code of Philippines provides for capitalization of cooperatives and encourages contributions by members. The cooperatives can derive their capital through loans, borrowings, deposits, subsidies, donations, grants, aids and other assistance from local or foreign institutions including public and private. The Code provides that no member of a cooperative shall hold more than 20% of the share capital of cooperatives. There is no provision in the law relating to borrowing limits of cooperatives from banks / financial institutions and other cooperatives. For distribution of profits, it is provided that the same shall be determined in accordance with the bye-laws of cooperatives.

Singapore :

The Cooperative Law of Singapore provides for capitalization of cooperatives by way of entrance fees, shares subscribed by the members, subscription capital, voluntary savings, deposits from members, deposits and loans from non-members and surplus credited to the reserve fund. The issuance of bonds and debentures by a society shall be subject to the approval of the Registrar. The law provides that a society may receive deposits and loans from non-members only to such extent and under such conditions as are prescribed by the Bye-laws. For investing or depositing its funds in the shares of any other society i.e. inter-cooperative investments the society needs approval by the Registrar. The society can invest funds for establishing its subsidiaries. For borrowing money from members and non-members the General Body meeting is empowered under the bye-laws to decide. For distribution of net surplus, 20% has to be transferred to the reserve fund and the dividend to the members is capped at 10%. The society can put 10% of the annual net surplus for charitable purposes. The reserve fund maintained by a society can be utilised to meet the unforeseen losses and for paying the liabilities of the society in the event of dissolution.

Sri Lanka :

Under Section 10 of the Cooperative Societies Act of 1992, a provision has been made to increase the share capital. There are no other provisions for capitalization of cooperatives. Most of the societies are not in a position to pay dividend or any other benefits to their members. The capital can be raised without affecting the member's control under the provisions of the Bye-laws of the society. There is no specific provision for inter-cooperative investment. It implies that there are no obstacles either. Under the prevailing law, the cooperatives can form secondary and tertiary cooperatives but there is no provision for establishing the subsidiaries. Once the external borrowings are approved by the General Body of a society, it should be approved by the Registrar annually. The minimum distributable profit to be transferred to the reserve fund is 25% and the maximum dividend payable is 10%. There is no specific provision as to how the reserve fund can be utilised by the cooperatives.

Vietnam :

The cooperative law stipulates that the member has to contribute to the minimum share capital in accordance with the model bye law of each cooperative. Not more than 30% of legal capital of that cooperative can be contributed by a member. Such stipulation will encourage members to contribute more capital to the cooperative, and at the same time, limit any members who contribute too much capital with the aim of controlling the cooperative. There is no stipulation in the law to prevent the cooperative to borrow the capital from the banks, financial institutions and from other cooperatives. Article 42 of the Law mentions on profits distribution decided by the General Meeting based on the net profits.

TAXATION

India :

The Income Tax Act 1961, as amended from time to time, provides certain relief to cooperatives by allowing them deductions in respect of income under Section 80-P of the Act. Deductions are permitted in a fairly comprehensive manner for cooperative societies engaged in credit and banking, marketing of agriculture produce, purchase of inputs and processing without the aid of power, collective disposal of labour, fishing etc. so long as these activities are confined only to the contribution made by the members. Section 80-(P) of the Income Tax Act permits full exemption of income tax to primary cooperative societies engaged in the business of supplying milk, oil-seeds, fruits and vegetables so long as the cooperatives supply these goods to a federal cooperative society or to a government agency. Comprehensive deductions are also eligible in respect of any income derived by cooperative societies by way of interest or dividend in other cooperatives, letting of go-downs or ware-houses for storage, processing or facilitating the marketing of commodities.

A large number of cooperative societies enjoy complete exemption of income from taxation. This exemption of cooperative societies from payment of taxes facilitates capital formation in cooperatives. These exemptions have been provided to cooperatives keeping in view their special character and special nature of the business activities.

Indonesia :

The Tax laws in Indonesia stipulate that cooperative surplus is taxable like other companies. Upto 1995, the cooperative surplus received from transactions with members were exempted from taxation. Transactions with non-members are taxable as per the prevailing regulations. So, the policy on taxation differentiates between transactions with members and non-members, but the cooperatives do not get any benefits under the tax laws except in social matters. Thus, the tax laws do not facilitate capital formation.

Iran :

Except for housing and consumer cooperatives, the other cooperatives are treated at par with other economic enterprises. In housing and consumer cooperatives, the income generated through non-members activities are subjected to tax but exemption is only for the income generated through transactions by members of cooperatives. The advantages given to the activities of agriculture, consumer, housing and other trade free zones are also extended to cooperatives in these areas. The cooperatives

feel that the exemptions should be extended to low capital and infant cooperatives who are not able to pay taxes immediately after incorporation.

Israel :

The tax laws for cooperatives in the areas of transportation, agriculture produce and service cooperatives are different and the Government gives relief on capital gains when a share is redeemed. There is special tax structure for general agricultural societies. The cooperatives do not want any special tax treatment as they want the cooperatives to function and compete in a free competitive market economy.

Kuwait :

In Kuwait there is no tax on the profits of cooperative societies.

Malaysia :

The tax laws recognise the special character and nature of business of cooperatives. Income of a cooperative society is exempted from tax for a period of 5 years commencing from the date of registration of a cooperative society provided that the members fund on the first day of the basis period is less than RM 750,000/-. Any dividend paid, credited or distributed to any member of the cooperative society is also exempted under the Income Tax Act. The rate of tax chargeable on the income of cooperative society is lower than the rate charged on the income of other business enterprises. The existing provisions in tax laws relating to cooperatives do facilitate capital formation in cooperatives.

Nepal :

Though the Cooperative Act provides for exemption of income tax on dividends earned by members and exemption of stamp duty and registration fee, at present there is no difference between cooperatives and other business enterprises in relation to the tax. The HMG has imposed VAT upto 30% on the surplus earned by a cooperative; but it has not levied tax on rural cooperatives.

Philippines :

The net surplus of cooperatives is not taxable as profit but as an excess of payment made by the members and it is different from the laws applicable to other business enterprises. The existing provisions in tax laws relating to cooperatives are beneficial to cooperatives.

Singapore :

The Tax laws of Singapore are different for the cooperatives as compared to other business enterprises; but it does not recognise the special structure of cooperatives

while levying tax. The existing provisions in tax laws do not facilitate capital formation in cooperatives. For the general development of cooperative movement in Singapore, the cooperatives for the benefit of education, training, research and information technology enjoy tax exemption.

Sri Lanka :

Though there are no special provisions for taxation of cooperatives, the cooperatives are taxed at the rate of 20% on their profit whereas the private enterprises are liable to pay 35% tax.

The Multi-purpose Cooperative Societies were exempted from the payment of Business Turnover Tax from the year 1996 until the VAT was introduced in 2002. The revenue from interest on deposits is exempted from the payment of Tax w.e.f. 1.4.2001.

The cooperative movement suggests 5 year tax holiday for newly established cooperatives. Tax concessions should also be given to cooperatives as has been extended to foreign investors and special sector private enterprises.

Vietnam :

The fiscal laws for cooperatives are same in Vietnam as for the other enterprises. The cooperatives have to pay VAT and income tax at the rate of 32% of the net profits. There is no special treatment to cooperatives as for the income from business transactions between members and the cooperatives. The cooperative movement wants lower rates for cooperatives as compared to other enterprises from business transactions between members and their cooperatives and between member cooperatives and their federations.

APPENDICES

MALAYSIA
NATIONAL CO-OPERATIVE POLICY*
[Year 2002 to Year 2010]

INTRODUCTION

1. The introduction of the National Co-operative Policy (DKN) for the first time has outlined implementation strategies for the development of co-operatives in this country. It enables the co-operative movement to play a more effective role in the nation's development as well as face future challenges in line with the requirements of the Vision Development Policy and Vision 2020 until the year 2010. Towards this end, co-operatives will no longer be limited to conventional activities but on the other hand will be involved in new business areas whilst upholding co-operative principles and philosophy. The NCP that is targeted for all types of co-operatives under the supervision of the Co-operative Development Department (JPK), Farmers' Organization Authority (LPP) and Fisheries Development Board of Malaysia (LKIM) will specifically focus on the relationship between the co-operative sector with the government as well as amongst the co-operatives. The formulation of the NCP is aimed at providing a conducive environmental framework for transforming co-operatives into institutions capable of assisting in the economic growth and social development thereby contributing directly to national development.

BACKGROUND

Historical background of the co-operative movement

2. Co-operatives were first introduced in this country in the early 1900s to assist in overcoming the problem of exploitation of the rural people by middlemen and indebtedness among government servants. The first thrift and loan co-operative was registered on July 21, 1922 under the Co-operative Societies Enactment 1922 (which has since been repealed) and replaced by the Co-operative Act 1993 that is in force today. This Act has been utilized as a general guideline whereby co-operatives have been using it as a 'policy' in streamlining their operations. In practice, this 'policy' is more statutory and regulatory in nature utilized for the purpose of supervision.

* Note : Approved but not launched officially.

Co-operative definition, concept and philosophy

3. A co-operative is an organization formed and owned by a group of individuals for the purpose of improving their economic standard of living and social services rendered. This is achieved through their participation in economic and social activities administered democratically based on the co-operative principles. The 1995 Manchester Declaration on the ICA Co-operative Identity Statement (ICIS) has defined co-operative as 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.

4. The underlying philosophy of co-operatives emphasizes services and well being of members rather than maximization of profits. As such, co-operatives are not profit oriented, not oppressive and uphold honesty in conducting their business activities. The ultimate aim is to provide a good alternative to society in terms of quality goods and services rendered at a reasonable price.

5. Co-operatives are controlled, managed and governed by members who play the dual role of owners cum clients. This unique feature of co-operatives facilitates co-operatives in undertaking activities towards improving members' level of income or reducing their cost of living. At the same time, a ready market for activities or projects undertaken by co-operatives is guaranteed via members of the co-operatives. Active co-operation among co-operatives is another important factor that will enable co-operatives to reduce costs and compete with other business organizations.

Co-operative Principles

6. The co-operative movement is governed by seven (7) co-operative principles that have been universally accepted and adopted by the International Co-operative Alliance (ICA). The so-called principles are as follows:

- i) voluntary and open membership.
- ii) democratic member control.
- iii) member economic participation.
- iv) autonomy and independence.
- v) education, training and information.
- vi) co-operation among co-operatives.
- vii) concern for community.

Co-operative Legislation

7. The Co-operative Act 1993 (Act 502) has repealed all other prior legislation pertaining to co-operatives. As an Act formulated to promote the development of co-operative societies, it makes provisions for the constitution, registration, control and regulation of co-operatives. In addition, co-operatives are also subjected to provisions in the Co-operative Regulations 1995 (formulated under the Co-operative Act 1993), the Registrar General's Circulars issued from time to time and co-operative by-laws.

Achievement and performance

8. The co-operative movement has recorded an average growth rate of 3.2% in terms of the number of co-operatives, 4.4% in terms of membership, 10.6% in terms of share capital / subscription and 12.2% in terms of asset since 1990 to 2000 as shown in Schedule-1 below:

Schedule 1: Co-operative Development 1990-2000*

Year	No. of Co-operatives	Membership (million)	Share/Subscription (RM billion)	Total Asset (RM billion)
1990	3,028	3.33	1.64	6.15
1991	3,083	3.44	1.75	6.55
1992	3,288	3.66	1.92	7.60
1993	3,388	3.91	2.18	8.33
1994	3,473	4.06	2.44	10.14
1995	3,554	4.25	2.74	10.39
1996	3,735	4.21	2.83	12.17
1997	3,847	4.13	3.17	12.96
1998	3,942	4.55	3.60	14.10
1999	4,049	4.33	3.84	14.10
2000	4,155	4.67	4.57	16.1
Average annual growth rate %	3.2	4.4	10.6	12.2

* The above statistics are for co-operatives under the supervision of JPK

9. The performance of the co-operative movement under the respective agencies

(JPK, LPP and LKIM) as at 31 December 2001 and 31 December 2002 is shown as follows:

	Year 2001			Year 2002 (Estimate)		
	JPK	LPP*	LKIM*	JPK	LPP*	LKIM*
No. of co-operatives	4,246			4,330		
Total Membership (million)	4.75			5.02		
Subscription (RM billion)	4.3			4.4		
Total Asset (RM billion)	18.9			19.0		

* Note : Awaiting figures from the relevant agencies

During the economic recession, which started in 1997, the co-operative movement has managed to sustain a positive growth except in terms of membership in 1999. The co-operative movement has been successful in maintaining a large spectrum of membership comprising of government servants, farmers, fishermen, land settlers, private sector workers and students.

PROBLEMS AND ISSUES

10. The majority of co-operatives are small in terms of capital, comprise of inactive members (members' apathy) and have poor networking amongst them. Thus co-operatives are unable to generate sufficient capital to implement activities. Generally, co-operatives rely on conventional sources of capital such as share capital, subscription and accumulated income. Co-operative surplus funds are neither utilized economically nor mobilized amongst co-operatives but on the other hand are channelled to financial institutions in the form of fixed deposits. The long-term effects are co-operatives are not only unable to provide better services to their members but are also unable to participate in activities that will benefit the nation's economy.

11. Another weakness in the co-operative movement today is poor integration among existing co-operatives. As a result, many co-operatives remain as small and weak entities that are unable to compete in the market. Apart from that, co-operation amongst co-operatives in terms of business, training, management and capital is still at a very low level thus leading to dismal performance by secondary co-operatives that have been registered.

12. Likewise, the management and administration of co-operatives rely to a great extent on the voluntary services and intellectual capabilities of the Board of Directors. This has led to a vacuum in terms of professionals and expertise, which is required to take the co-operatives to greater heights through proper planning and implementation of activities. Due to lack of professional and qualified management expertise as well as limited funding, co-operatives are not brave enough to undertake risks in expanding their businesses. As a result, co-operative businesses remain as traditional (conventional) and low scale activities, which eventually lose out to competition and development posed by businesses undertaken by the public and private sectors.

13. There are also situations whereby certain co-operatives have deviated from the original purpose and concept of formation. In such cases, members show lack of interest and remain inactive (members' apathy). In their eagerness to obtain profits, board members have failed to adhere to the underlying values that differentiate co-operatives from other business entities. As such, businesses undertaken by the co-operative will no longer be governed by the co-operative principles and concept.

The above scenario has made it difficult for co-operatives to obtain external sources of funds to overcome the problem of insufficient internal funding due to lack of confidence by financial institutions as well as lack of professional manpower engaged in the co-operatives.

14. All co-operatives (that include (a) agro-based co-operatives, (b) fisheries based co-operatives and (c) non-agro based co-operatives and non-fisheries based co-operatives) are subjected to the Co-operative Act 1993 although they come under two different Ministries that are responsible for co-operative development. The Ministry of Agriculture is responsible for the development of agro-based co-operatives under the supervision of LPP and fisheries based co-operatives under the supervision of LKIM whereas the Ministry of Land and Co-operative Development is responsible for the development on non-agro based co-operatives and non-fisheries based co-operatives under the supervision of JPK. The Co-operative Act 1993 has only differentiated co-operatives as primary, secondary and tertiary co-operatives. Co-operatives under the supervision of JPK comprise of credit, construction, transportation, consumer (including schools), industrial, services, plantation and housing co-operatives. The National Co-operative Organization of Malaysia (ANGKASA) is a tertiary co-operative, which is recognized as the apex body representing the co-operative movement of Malaysia both at the national and international level.

15. The integrity of the co-operative in preserving its identity, concept and ideology is being challenged by current development trends such as in the area of information technology and communication and external influences via globalization, liberalization, deregularization and national policy changes. Co-operatives also face challenges in improving their organization and upgrading the quality of products and services to

members. As such, there is a need for co-operatives to compete with the private sector in a fair and competitive environment. Apart from that, resolutions pertaining to co-operative development that have been adopted at the international level such as Recommendation 193 approved at the International Labour Organization (ILO) Conference held at Geneva from 3-20 June 2002, has recognized the importance of co-operatives in job creation, mobilization of resources, generating investment and their contribution to the economy. This recommendation emphasizes the relationship between government, society (people) and co-operatives.

NATIONAL CO-OPERATIVE POLICY (DKN)

16. The DKN has been formulated after taking into consideration the following factors:

- a) To make the co-operative a cost effective organization in order to maximize benefits for members and society;
- b) To strengthen co-operation and networking among co-operatives and other organizations in order to meet the objectives of their formation; and
- c) To enhance the understanding of the co-operative concept and ideology amongst members and society as a whole.

Policy Statement

17. The DKN's aim and policy statement is as follows :

The co-operative sector is recognized as a catalyst, alongside the public and private sectors, in the nation's economic development.

The relationship between the co-operative sector and the government as well as amongst co-operatives is outlined in the DKN to assist in improving the socio-economic development of the nation:

- i) Besides playing the role of a regulator, the government also promotes the formation and development of co-operatives in certain sectors of the economy;
- ii) There should be no differentiation in terms of ethnicity, religion, politics and gender in developing the co-operative institution;
- iii) Capital requirement is to be raised through mobilization of member's savings and shares / subscription, borrowings and financial assistance from the government and other organizations;
- iv) To increase co-operation amongst co-operatives and between co-operatives and other organizations that will mutually benefit both parties;

- v) To encourage active participation of women especially in co-operative management and leadership;
- vi) The co-operative movement should take advantage of the present government policy with regards to k-economy and e-commerce; and
- vii) The apex body representing the co-operative movement should play a responsible role in providing services effectively for the overall development of co-operatives.

Short-term Objective

To enhance the understanding of co-operative ideology among the people so that co-operatives can function as organizations that are capable of contributing towards economic growth and social development.

Long-term Objectives

- a) To transform the co-operative movement into a vehicle that is competitive and geared towards eradication of poverty, creation of employment and business opportunities and upgrading the quality of life, based on the co-operative principles, for national development in line with Vision 2020.
- b) The government's role is solely to regulate and enforce the policy.

IMPLEMENTATION STRATEGIES

18. To achieve the objectives of the DKN, the following eight (8) strategies have been formulated:

Strategy I :

To ensure that the co-operative principles and philosophy are understood and practiced in the co-operative movement.

- ◆ Co-operatives have to adhere to the co-operative principles and philosophy to prevent them from deviating from their original purpose of formation;
- ◆ The element of democratic self-control is always practiced by co-operatives;
- ◆ The principle of autonomy in co-operative dealings is maintained as an element of self-reliance to enable the co-operative to perform in line with its constitution;
- ◆ An autonomous and independent co-operative will be able to play its role more effectively; and

- ◆ To provide knowledge to all members of co-operatives.

Strategy II :

To formulate clear rules and regulations to assist in the promotion and development of the co-operative sector.

- ◆ There has to be a provision in the statute that enables the involvement of co-operatives in all sectors of the economy;
- ◆ Any law and policy that hinders the rapid expansion of co-operatives has to be reformulated to promote co-operative development;
- ◆ Co-operatives should be given official recognition via opportunities to speak up through representatives within the country and abroad;
- ◆ To encourage women's participation in the leadership and management of co-operatives; and
- ◆ The government's role is solely to regulate and enforce the law.

Strategy III :

To recognize the co-operative movement as a prime motivator and contributor in the economic development of the nation.

- ◆ To accept the co-operative movement as a key partner in the mainstream development of the community and nation;
- ◆ To give equal commitment and attention to co-operatives in a similar manner as given to the private and public sector;
- ◆ To assist co-operatives to be self-reliant through human resource development which includes education and training in management, entrepreneurship, and co-operative knowledge and practices;
- ◆ To introduce co-operative subjects in the national educational system and curriculum and to allow for the formation of co-operatives in institutions of learning; and
- ◆ To strengthen the activities of the apex co-operative and enable it to serve as a prime motivator for co-operatives and as a liaison between co-operatives and the government.

Strategy IV :

To strengthen and maintain good co-operative governance, efficient administrative and financial management and effective supervision of co-operatives.

- ◆ Co-operative by-laws must ensure accountability and transparency. The existing provisions in the by-laws must be reviewed and revised from time to time in accordance with members' needs. The Co-operative Societies Act should be utilized solely for the purpose of ensuring that transparency and accountability is adhered to;
- ◆ Co-operatives have to determine procedures for settling disputes and such procedures have to be incorporated in the by-laws; and
- ◆ It is the responsibility of the co-operative to train its members, board members, internal auditors and its employees.

Strategy V :

To increase sources of capital to enable co-operatives to face challenges and competition.

- ◆ Co-operatives are encouraged to raise capital by:
 - (i) increasing their own funds through members' shares/subscriptions based on the provisions in the by-laws;
 - (ii) securing capital from other co-operatives within the country and abroad; and
 - (iii) securing capital from other sources, provided that the co-operative maintains its overriding authority.
- ◆ Co-operatives are allowed to invest in other co-operatives within the country or abroad, subjected to existing law and regulations;
- ◆ Co-operatives are allowed to receive investments through formation of subsidiaries, provided that the co-operative controls the business management of its subsidiaries;
- ◆ To formulate rules that prevent co-operatives from participating in speculative activities using external borrowings;
- ◆ To reduce taxation on co-operative to encourage the growth of co-operatives; and
- ◆ The government's privatization policy should emphasize equal opportunities for co-operatives and other parties.

Strategy VI :

To strengthen co-operation among co-operatives and co-operation between co-operatives and third parties.

- ◆ To provide suitable infrastructure and environment to encourage co-operation among co-operatives and co-operation between co-operatives and third parties; and
- ◆ To encourage the formation of new co-operatives and the consolidation of co-operatives in various sectors of the economy.

Strategy VII :

To continuously improve the quality of products and services to ensure members receive the best of product and services offered by co-operatives.

- ◆ To undertake research and development (R&D) to identify and fulfill the needs, requirements and desires of members;
- ◆ To enhance efforts that will facilitate co-operatives in venturing into new areas in the field of k-economy, e-commerce and in the utilization of information and communication technology (ICT); and
- ◆ To nurture, integrate and inculcate continuous quality improvement in the co-operative movement.

Strategy VIII :

To establish a National Co-operative Consultative Council (MPKK).

- ◆ The MPKK will serve as a forum in which representatives from the Ministry / Government departments and the co-operative movement will hold discussions and reach a consensus on matters relating to co-operative development so that planning, implementation, coordination and supervision of development programmes for co-operatives are more streamlined and effective.

19. Towards implementing the DKN, some concerted actions need to be taken according to the various sectors as follows:

Finance

- ◆ Special budgetary allocation for co-operative development and education;
- ◆ Increase in allocation of JPK's revolving fund;
- ◆ Creation of new funds and allocations for co-operatives by financial institutions and government departments; and
- ◆ Encourage co-operatives to increase their minimum share to raise capital.

Education and Training

- ◆ Improve co-operative knowledge;
- ◆ Improve training skills;
- ◆ Update co-operative study syllabuses;
- ◆ Recognize co-operative study as a curriculum in the national education system;
- ◆ Encourage co-operatives to undertake their own internal training programmes;
- ◆ Undertake awareness training for prospective members;
- ◆ Conditional requirement for prospective members to undergo awareness programmes before they are accepted as members; and
- ◆ Compulsory requirement for Board members and Internal Audit Committee members to undergo co-operative courses or training upon appointment.

Business Opportunities

- ◆ Networking amongst co-operatives and with other business organizations;
- ◆ Given consideration for obtaining special privileges such as licences and permits;
- ◆ Encourage co-operatives to be involved in new areas such as healthcare, education and tourism; and
- ◆ Extension of business opportunities by the government such as franchise and tourism.

Legislation

- ◆ Review and update legal provisions that hinder but regulate co-operative governance such as the setting up of co-operatives' subsidiaries;
- ◆ Provide a standard by-law according to the various co-operative activities as a guideline;
- ◆ Provide regulations for new activities to be undertaken;
- ◆ Circulars formulated by the Registrar General to regulate good governance by co-operatives;
- ◆ Develop training opportunities sponsored by government agencies for co-operatives such as entrepreneurial training by the Ministry of Entrepreneur Development and Ministry of Women's and Family Development;

- ◆ Create policy for regulation of co-operative expenditure (to ensure a reasonable rate of dividend, honorarium and other payments); and
- ◆ Ensure enforcement and implementation of co-operative legislation.

Women

- ◆ Increase participation of women in co-operatives;
- ◆ Increase the number of women co-operatives;
- ◆ Encourage more women to play the role of decision makers;
- ◆ Create women's bureau and committees in co-operatives; and
- ◆ Conduct specific training programmes for women.

ICT (Information and Communication Technology)

- ◆ e-commerce and e-co-op; and
- ◆ Encourage co-operatives to develop web sites.

Non Governmental Organizations (NGOs) and tertiary co-operatives

- ◆ Improve the role and function of affiliated co-operatives (secondary and tertiary co-operatives);
- ◆ ANGKASA to serve as a liaison between co-operatives and the government so as to promote the interests of the co-operative movement; and
- ◆ Create a mechanism for discussions and co-operation at the state and district level with the State and District Co-operative Development Department as the Secretariat.

Government Departments

- ◆ Economic Planning Unit (EPU) to consider the role and contribution of the co-operative movement in national development when outlining and preparing development plans;
- ◆ Statistics Department - to ensure that it takes into account the contribution of co-operatives in national productivity;
- ◆ Develop new business opportunities for co-operatives such as in Federal Land Development Authority (FELDA) schemes and other development work in the districts;
- ◆ Relaxation of conditions such as in the processing of licenses and permits; and
- ◆ Develop training opportunities for co-operatives (Board members and workers).

SUMMARY AND CONCLUSION

20. The role of the co-operative movement as a third sector is becoming increasingly important. The formulation of a policy for the co-operative movement in this country is aimed at providing an environmental framework for transforming co-operatives into institutions capable of assisting in the economic growth and social development of the nation. Through co-operation in the implementation of activities, data and information collection, education and training, the co-operative movement can be further strengthened and consolidated as an institution capable of contributing directly to national development. Through coalitions and collaboration, co-operatives can pool resources in terms of capital and experience to enable them to venture into large-scale activities so as to consolidate their competitiveness.

21. Through support for the co-operative movement as enshrined in the National Co-operative Policy, it is hoped that active collaboration between co-operatives and other organizations will spearhead the co-operative movement's involvement in various business ventures that will mutually benefit members as well as to provide the best alternative in uplifting the economic status of the community and society as a whole. As such, commitment by all parties concerned is absolutely necessary beginning with the grass roots at the respective co-operative level comprising of members, officials (Board, Internal Auditors and management) right up to apex organizations and tertiary co-operatives such as ANGKASA and Bank Rakyat. The same goes for co-operative regulatory authorities which include JPK, LPP and LKIM, supportive agencies such as the Co-operative College of Malaysia (MKM) and other training institutions for co-operatives as well as other stakeholders (including the relevant government administrative machinery) at the district, state and central (Ministerial) levels. All of these will be coordinated, monitored and evaluated at the national level by the National Co-operative Consultative Council (MPKK) chaired by the Honorable Deputy Prime Minister. The MPKK comprises of members representing Cabinet Ministers or representatives from the relevant Ministries related to co-operatives, State Governments, ANGKASA and cooperators whose collective role forms a critical and crucial factor in implementing the National Co-operative Policy successfully.

Recommended actions, implementing agencies and implementation time frame

For effective implementation of the National Co-operative Policy, a detailed Plan of Action is being drawn up whereby every strategy has streamlined activities, sub-activities and recommended actions by the relevant agencies.

PERSONS MET DURING STUDY VISITS

KUWAIT

1. Mr.Jamal Saleh Hadad Al-Saleh,
Director,
Ministry of Social Affairs & Labour,
P.O.Box. 563,
Safat No.13006,
Kuwait
Phone: 2484477
Fax: 2428938
2. Mr.Mohammed Ali Al-Kandri,
Hon'ble Co-operative Deputy Minister,
Ministry of Social Affairs & Labour,
P.O.Box 653 - Safat,
ZIP - 13006
Kuwait
Phone: 2447461 / 2484454
Fax: 2419677
3. Mr.Talaq Sagr Al-Hiem,
Chairman,
Union of Consumer Co-operative Societies,
P.O.Box 1836 - Safat,
13019 Kuwait
Phone: 2571594 / 2571598
Fax: 252 0621
4. Mr.Ahmed Al-Omram,
General Manager,
Union of Consumer Co-operative Societies,
P.O.Box 1836,
Safat - 13019
Kuwait
Phone: 254 3649 / 254 3022 / 254 3145

5. Mr.Karim Al-Mawash,
Union of Consumer Co-operative Societies,
P.O.Box 1836,
Safat - 13019
Kuwait
Phone: 254 3649 / 254 3022
Fax: 251 2370 / 252 0621

MALAYSIA

1. Dr.Mohd. Ali Hj.Baharum,
Deputy President,
National Co-operative Organisation of Malaysia (ANGKASA),
Wisma Ungku A.Aziz,
Jalan SS 6/3, Kelana Jaya,
47301, Petaling Jaya
Malaysia
Phone: 03 - 78007878 / 03 - 89258119
Fax: 03 - 78061519
2. Mr.Nasir Khan Yahaya,
General Manager,
National Co-operative Organisation of Malaysia (ANGKASA),
Wisma Ungku A.Aziz,
Jalan SS 6/3
Kelana Jaya,
47301, Petaling Jaya
Malaysia
Phone: (603) - 78007812 / (603) - 78061977
Fax: (603) - 78061508
3. Mdm.Armi Bt. Hj. Zainudin,
Director,
Co-operative College of Malaysia,
103, Jalan Templer,
46700 - Petaling Jaya
Selangor,
Malaysia
Phone: 03 - 7956 7882
Fax: 03 - 7957 0434

4. Mdm.Rahaiah Baheran,
Vice-President,
National Co-operative Organisation of Malaysia (ANGKASA),
Wisma Ungku A.Aziz,
Jalan SS 6/3
Kelana Jaya,
47301, Petaling Jaya
Malaysia
5. Mr.Hj Md.Yusof G Samsudin,
Deputy Director General,
Department of Co-operative Development,
Ministry of Land and Co-operative Development,
Government of Malaysia,
Bilik Melati,
Wisma Semantan - Block-A,
50608 - Kuala Lumpur
Malaysia.
6. Mdm. Hjh Hawa bt. Mohd Saleeh,
Director - Corporate Planning
Ministry of Land and Co-operative Development,
Government of Malaysia,
Bilik Melati,
Wisma Semantan - Block-A,
50608 - Kuala Lumpur
Malaysia. Phone: 2093 5098
7. Mr. Azizan b Abdul Ghani,
Director - Co-operative Extension,
Ministry of Land and Co-operative Development,
Government of Malaysia,
Bilik Melati,
Wisma Semantan - Block-A,
50608 - Kuala Lumpur
Malaysia.
8. Mr.Ng Swon Ba,
Director - Co-operative Regulatory,
Ministry of Land and Co-operative Development,
Government of Malaysia,
Bilik Melati,
Wisma Semantan - Block-A,
50608 - Kuala Lumpur Malaysia.

9. Mdm. Maha,
Corporate Planning Division,
Ministry of Land and Co-operative Development,
Government of Malaysia,
Bilik Melati, Wisma Semantan - Block-A,
50608 - Kuala Lumpur (Malaysia).

BANGLADESH

1. Mr. M.Ruhul Quddus Talukder,
Hon'ble Deputy Minister,
Ministry of Land,
Government of the Peoples' Republic of Bangladesh,
Dhaka
Phone: 880 - 2 - 9570 021
Fax: 880 - 2 - 9554 009
2. Mr.Abdul Ali Mridha,
Chairman,
Bangladesh National Co-operative Union,
9D, Motijheel, C/A,
Dhaka - 1000
Phone: 8150199
Fax: 880 - 2 - 8150 199
3. Mr. Mohammed Sahidullah,
General Secretary,
Bangladesh National Co-operative Union,
9D, Motijheel,
C/A,
Dhaka - 1000
Phone: 880 - 2 - 9550545
Fax: 880 - 2 - 9560208 / 880 - 2 - 9565390
4. Mr. Md. Siddiqur Rahman,
Manager,
Dhaka Dairy (Milk-Vita),
Dhaka
Bangladesh
Phone: 9013 917

5. Mr.A.F.M.Motiur Rahaman,
Director General,
Bangladesh Rural Development Board (BRDB),
Palli Bhaban,
5, Kawran Bazar,
Dhaka-1215
Bangladesh
Phone: 880-2-815431
Fax: 880-2-814343

6. Mr.Jahangir Chowdhury,
Director (Planning),
Bangladesh Rural Development Board (BRDB),
Palli Bhaban,
5, Kawran Bazar,
Dhaka-1215 (Bangladesh)
Phone: 880-2-323070-4 (PABX)

7. Mr.Mahabubur Rahman,
Joint Director (Planning, Monitoring & Evaluation),
Bangladesh Rural Development Board (BRDB),
Palli Bhaban,
5, Kawran Bazar,
Dhaka-1215 (Bangladesh)
Phone: 880-2-323070-4 (PABX)

8. Mr. Nazim Uddin Ahmed,
Deputy Director (PR & Coordination),
Bangladesh Rural Development Board (BRDB),
Palli Bhaban,
5, Kawran Bazar,
Dhaka-1215 (Bangladesh)
Phone: 880-2-323070-4 (PABX)

9. Mr. A.T.M.Shahebul Islam,
Asst. Director (Planning & Evaluation),
Bangladesh Rural Development Board (BRDB),
Palli Bhaban,
5, Kawran Bazar,
Dhaka-1215 (Bangladesh)
Phone: 880-2-323070-4 (PABX)

10. Mr.Abdul Mannan Bhuyan,
Hon'ble Minister,
Local Government,
Rural Development and Cooperation,
Government of the Peoples'
Republic of Bangladesh,
Dhaka
Bangladesh.
11. Mr.Md. Hedayetul Islam Chowdhury,
Secretary - in-charge,
Rural Development and Co-operatives Division,
Government of the Peoples'
Republic of Bangladesh,
Bangladesh Secretariat,
Bldg. No.7,
Room No.632,
Dhaka
Phone: 880 - 2 - 7161818
Fax: 880 - 2 - 7162284
12. Mr. Al - Haj Abdus Salam,
Chairman,
Bangladesh Co-operative Insurance Ltd.,
Sanakalyan Bhaban (11th Floor),
195, Motijheel C/A,
Dhaka - 1000
Phone: 880 - 2 - 95644793 / 9561121
Fax: 880 - 2 - 9555645
13. Mr.Khondakar Mizanur Rahman,
Registrar,
Department of Co-operatives,
Ministry of LGRD & Co-operatives,
Government of the Peoples'
Republic of Bangladesh,
9D, Motijheel C/A,
Dhaka-1000
Phone: 880 - 02 - 9564595
Fax: 880 - 02 - 9550240

JAPAN

1. Mr.Chikaro Sato,
Chief, International Affairs,
Department of Public Administration and Planning,
Central Union of Agricultural Co-operatives (JA-ZENCHU),
8-3-1-Chome,
Otemachi,
Chiyoda-ku,
Tokyo-100 - 0004.
Japan
Phone: (03) - 3245 - 7565 / (03) 3245 -7986
Fax: (03) - 5255 - 7356
2. Mr.Naoki Higuchi,
Manager,
General Affairs Section (International Division)
Central Union of Agricultural Co-operatives (JA-ZENCHU),
8-3-1-Chome,
Otemachi,
Chiyoda-ku,
Tokyo-100 - 0004.
Japan
Phone: (03) - 3245 - 7565
Fax: (03) - 5255 - 7356
3. Mr.Satoshi Watanabe,
Asst. Director,
Management Strategy Division,
Central Union of Agricultural Co-operatives (JA-ZENCHU),
8-3-1-Chome,
Otemachi,
Chiyoda-ku,
Tokyo-100 - 0004.
Japan
4. Mr.Toshiyuki Awano,
Management Information Bureau,
Agricultural Co-operative Division,
Ministry of Agriculture, Forestry & Fisheries,
Government of Japan,
Tokyo

5. Mr.Koji Yamanishi,
Management Information Bureau,
Agricultural Co-operative Division,
Ministry of Agriculture,
Forestry & Fisheries,
Government of Japan,
Tokyo
6. Ms.Akiko Ando,
Management Information Bureau,
Agricultural Co-operative Division,
Ministry of Agriculture,
Forestry & Fisheries,
Government of Japan,
Tokyo
7. Ms.Yamauchi Akiko,
Manager, International Department,
Japanese Consumers' Co-operative Union (Co-op.)
Co-op Plaza,
3-29-8,
Shibuya,
Shibuya-ku,
Tokyo-150-8913.
Japan
Phone: 81-3-5778-8103
Fax: 81-3-5778-8104
8. Mr.Yoshihiro Miyabe,
Legislation Affairs,
Japanese Consumers' Co-operative Union (Co-op.)
Co-op Plaza, 3-29-8,
Shibuya,
Shibuya-ku,
Tokyo-150-8913.
Japan
Phone: 81-3-5778-8118
Fax: 81-3-5778-8120

CHINA

1. Mr.Cai Fenxiang,
Division Chief, Legislative Committee,
Standing Committee of Shanxi Provincial Peoples' Congress(SPPC)
Tai Yuan (Shanxi Province)
China.
2. Mr.Fan Zhimin,
Division Chief,
Finance and Economy Committee,
Standing Committee of Shanxi Provincial Peoples' Congress(SPPC)
Tai Yuan (Shanxi Province)
China.
3. Mr.Yang Jinqun,
Division Chief,
Legislation Office,
Shanxi Provincial Government,
Tai Yuan (Shanxi Province)
China.
4. Mr. Cao Deqiang,
Vice-President, Board of Directors,
Shanxi Provincial Federation of Supply & Marketing Co-operatives
(SPFSMC)
Tai Yuan (Shanxi Province)
China.
5. Mr. Qi Runge,
President, Board of Supervisors,
Shanxi Provincial Federation of Supply & Marketing Co-operatives
(SPFSMC)
Tai Yuan (Shanxi Province)
China.
6. Mr.Zhoo Hong,
Deputy Division Chief,
Legislation Office,
Shanxi Provincial Federation of Supply & Marketing Co-operatives
(SPFSMC)
Tai Yuan (Shanxi Province)
China.

7. Mr. Yu ning,
Director,
International Department,
All China Federation of Supply & Marketing Co-operatives,
45, Fuxingmennei Street,
Beijing - 100 801.
China.
Phone: (86) 10-660 50432
Fax: (86) 10-660 18227

8. Mr. Rong Jun,
Deputy Director,
International Co-operative Department,
All China Federation of Supply & Marketing Co-operatives,
45, Fuxingmennei Street,
Beijing - 100 801.
China.
Phone: (86) 10-660 54035 / 660 50358
Fax: (86) 10-660 50358 / 660 18227

9. Mr. Zhang Yuan Zong,
Director, Legislation Office,
All China Federation of Supply & Marketing Co-operatives,
45, Fuxingmennei Street,
Beijing - 100 801. P.R.C.
China.
Phone: (86) 010-660 50495
Fax: (86) 010-660 50570

10. Mr. Wang Peiyong,
Director (Master of Law)
Bureau of Secretaries of General Office of the Standing Committee
Of the National Peoples' Congress, P.R.C.
Beijing - 100 805
China.
Phone: (86) 010-630 97621
Fax: (86) 010-630 97621

THIRD CRITICAL STUDY ON CO-OPERATIVE POLICY AND LEGISLATION REFORMS

TERMS OF REFERENCE

Introduction :

Enabling co-operative legislation and policy frame-work, that spurs the state sponsored cooperatives to transform into member-based and member controlled organizations and motivates the people to create and innovate vibrant, competitive and autonomous cooperative businesses, has been the core issue for cooperative movement in Asia-Pacific Region. In recognition of dynamic nature of the cooperative movement, ICA ROAP, through the biennial Asia-Pacific Co-Operative Ministers' Conferences and Regional Consultations of Secretaries, in charge of Cooperatives in the national governments and Chief Executives of national co-operative organizations has been endeavoring to create a consensus among the governments and cooperative movements of the region regarding parameters for and directions of cooperative legislation and policy reforms.

At the time of the 6th Asia-Pacific Co-operative Ministers' Conference, East Asian crisis had petered out and voice of civil society and people based organizations against the negative impacts of globalization and liberalization had become more pronounced. ICA at global and regional level through its active advocacy succeeded in garnering the acceptance of significance of cooperatives to countervail the forces of the globalization for the benefit of common-man, particularly in developing countries. This is reflective in UN Guidelines on Cooperative Legislation and Policy and ILO's Revised Definition 193 of co-operatives.

The second critical study, that provided the basic content input for Regional Consultation and 6th Co-operative Ministers' Conference, undertook an extensive situation analysis of cooperative legislation and policy in Australia, India, Indonesia, Korea, Nepal, Sri Lanka, Thailand and Vietnam and gathered questionnaire based information from Israel, Malaysia and Nepal. The study concluded that in the absence of clear national policies on cooperative development, cooperative legislation reforms may not be effective to a desired extent. There should be a very close proximity of cooperative law and policy.

The 6th Co-operative Ministers' Conference, therefore, brought out four

contextual issues for defining the directions of coop. reform process: (a) absence of cooperative policies leading to confusion in the implementation of cooperative law, (b) absence of cooperatives in the broad policy frame-work and decision making of Govt., (c) engagement and interaction of cooperatives with multi-lateral international institutions e.g. World Bank, Asian Development Bank, IMF, & (d) need for development of a tool for analyzing appropriateness of cooperative legislation. Though, second critical study still remains valid, there is a need to conduct third critical study on account of the following reasons:

- (a) To study the situation in those countries which were not covered by the second study.
- (b) To study the follow-up steps taken by the cooperative movements and the Govts., in the region on the resolutions of the 6th Co-operative Ministers' Conference.
- (c) To identify the new trends that have emerged in the cooperative movements of the region.

2. Scope of Study :

The study will cover the situation in all the prominent sub-regions of the country. For selection of the countries, important criteria will be to include some of those countries that were not covered by the second study, besides, a few select countries where process of reforms had started at the time of 6th Co-operative Ministers' Conference.

The third critical study, in main, will identify, among others, the positive and negative factors that have influenced the implementation of the resolutions of the 6th Co-operative Ministers' Conference and up to what extent these resolutions have been implemented / adopted in different countries. It will also bring out the status of the reform process in those countries that had already initiated it at the time 6th Co-operative Ministers' Conference.

3. Objectives :

The main objective of the study will be "to produce a study report on critical appraisal of the extent to which resolutions of the 6th Co-operative Ministers' Conference held in Kathmandu in April 2002 have been implemented / adapted by ICA Members and the Governments in the region focusing on impact of reform process on cooperatives and actual results thereof".

The study will specifically bring out the following:

- (i) Whether the Govts. have formulated & implemented specific public policy on cooperatives.

- (ii) Positioning of cooperatives in other public policies relating to different sectors of national economy e.g. agriculture, trade, commerce, banking, insurance, labour, taxation, etc.
- (iii) Extent to which the existing cooperative legislation is in proximity with ICA Co-operative Identity Statement.
- (iv) Extent to which state sponsored cooperatives have been transformed into member based and member controlled co-ops.
- (v) Trends regarding emergence of new forms of cooperatives, particularly in the area of social sector, IT, etc.
- (vi) Analysis of cooperative legislation and policy in the selected countries keeping in view the following variables:
 - (a) extent to which it enables market orientation;
 - (b) extent to which it enables state control;
 - (c) extent to which it enables identity of cooperatives;
 - (d) extent to which it includes investor-oriented firms.
- (vii) Situation regarding support of multi-lateral agencies like ADB, World Bank, IMF for the development of cooperatives.

4. Countries to be covered :

A. For Field studies :

- i) Far-East: China, Japan
- ii) ASEAN: Myanmar, Malaysia
- iii) South Asia: Bangladesh, Sri Lanka
- iv) West Asia: Kuwait, Iran.

B. Countries for Follow-up Studies :

(Through questionnaire)

India, Indonesia, Nepal, Philippines, Singapore, Thailand.

5. Conduct of Study :

5.1 Methodology :

Methodology employed, in main, will include interviews with cooperatives leaders and government officials of the selected countries referred above. Besides, a

structured questionnaire based on the objectives of the study will be employed to gather information relevant to the study from different countries.

The official documents and literature available in ICA-ROAP Library and with its member organizations will be another source of inputs for the study.

5.2 Consultant :

It is proposed to employ an external consultant to undertake the study. The person to be appointed should have proven knowledge and expertise on cooperative development. He should have field experience and background with research orientation that would be complimentary to the process and results of the study.

5.3 Expert Committee :

In order to optimize the analysis and depth of the study an expert committee will be set up. The Expert Committee will guide the consultant and ICA ROAP to finalize the questionnaire and to synthesize the study inputs and outputs.

5.4 Implementation :

Mr.B.D.Sharma, Sr. Consultant, ICA Domus Trust will undertake all steps for implementation of work plan relating to completion of the study. He may also supplement the efforts of consultant in regard to field study and preparation on Draft Study Report.

6. Work Plan :

1. May-June : Appointment of Expert Committee, Consultant, Finalization of Terms of Reference, Questionnaire, detailed work plan, dispatch of questionnaire, field studies in Far-East and ASEAN.
2. July : Field studies in Far-East and ASEAN.
3. August : Field Studies in South Asia & West Asia.
4. September : Report Writing.
5. October : Meeting of Expert Committee, Finalization of Study Report and Printing of Report.

7. Study Report: Framework :

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

- (i) Introductory Section : Overall Co-operative Environment in Asia-Pacific;
- (ii) Analytical Section :

- A. Impact, lessons learned, findings and action taken on Resolutions of 6th Co-operative Ministers' Conference held in Kathmandu:
- B. Analysis of Cooperative Legislation & Policy-extent to which it is enabling:
 - (a) Proximity with ICA Cooperative Identity;
 - (b) Market Orientation;
 - (c) State Control:
 - (d) Principles of Investor oriented firms.
- (iii) Conclusions & Recommendations: Issues that require consideration of Govt. & Cooperatives to create an enabling cooperative legislation and policy environment.
- (iv) An Executive Summary of not more than 4 pages.
- (v) Appendices: Names of the organizations visited, persons interviewed & other relevant information.

REFERENCES

1. Critical Study on Cooperative Legislation and Competitive Strength (May 1996) - Ibnoe Soedjono Mariano Cordero.
2. 2nd Critical Study on Cooperative Legislation and Policy Reforms - Ravishankar & Garry Cronan.
3. Conclusions and Recommendations of 6th Asia-Pacific Cooperative Ministers' Conference, Kathmandu, Nepal - ICA-ROAP, New Delhi.
4. UN Summary Report A/58 of Secretary General on Cooperatives in Social Development.
5. The Promotion of Cooperatives - ILO Recommendation No.193 - Mark Levin, ILO Cooperative Branch.
6. Cooperative Societies Rules, 1987, Ministry of Local Government, Social Development and Cooperatives, Government of People's Republic of Bangladesh.
7. Calendar of Courses - 2003 and International Programmes, Cooperative College of Malaysia.
8. Cooperative Societies Act 1993 (Act 502) and Regulations, Malaysia.
9. Annual Report - 2001, Department of Cooperative Development of Malaysia.
10. Kuwait Zoom - October 2003.
11. Ordinance No.24 for the year 1979 on Cooperative Societies, Ministry of Social Welfare and Labour, State of Kuwait.
12. Cooperative Movement in Kuwait, Union of Consumer Cooperative Societies, State of Kuwait.
13. Annual Report - 2001-2002, Bangladesh Rural Development Board (BRDB), Dhaka, Bangladesh.
14. Productive Employment Project (PEP), BRDB, Dhaka, Bangladesh.
15. JA-ZENCHU, Publication of the Central Union of Agricultural Cooperatives, Japan.
16. Consumers' Livelihood Cooperative Society Law (Japan). Ministry of Health & Welfare, Social Welfare Bureau, Social Betterment Division, Japan.

17. Cooperative for a Better Tomorrow, publication of Japanese Consumers' Cooperative Union.
18. The Agricultural Cooperative Society Law, Japan, - a publication of the Institute for the Development of Agricultural Cooperation in Asia (IDACA).
19. Agricultural Cooperatives in Japan, a publication of the Central Union of Agricultural Cooperatives of Japan.
20. CIA - World Fact Book - Japan.
21. Co-op. Facts and Figures - 2002; publication of Japanese Consumers' Cooperative Union.
22. One Improvement, Two Reductions and three Additions - A report based on study visits to Philippines, China and Thailand, National Federation of State Cooperative Bank Ltd., Mumbai, India.
23. XXXI ICA Congress, Manchester 1995, Agenda and Reports - Review of International Cooperation, Volume 88 No.3 of ICA, Geneva, Switzerland.
24. Review of International Cooperation, Volume 95, No.1/2002 - ICA Geneva, Switzerland.
25. Annual Report of Food, Agriculture and Rural Areas in Japan, FY2002 (Part-I) Summary.
26. Challenges before Cooperative in South Asia: Building a Comparative advantage, Krishan K.Taimni.
27. A vision on cooperative Development in the Asia-Pacific Region for the 21st Century - Dr. Robby Tulus - Co-op. Dialogue, Vol.12, No.1 & 2 - August 2002 - ICA-ROAP.
28. Sahavikasa, news letter from Cooperative Development Foundation, Vol.5, Issue 9, Sept. 2003, Warangal, A.P.
29. Capital Demutualisation and governance - Indian Cooperative Credit and Banking Scenario by P.V.Prabhu, International Cooperative Banking Association (ICBA) Journal No.11, 1999.
30. Polish Banking Structure - Supervisions & Guarantee (2003) - P.V.Prabhu.
31. Future of Cooperative Agriculture and Rural Development Banking Sector (2001) - P.V.Prabhu (National Co-op. Agri. & Rural Dev. Banks' Federation).
32. "Co-op" - Publication of All China Supply and Marketing Cooperatives.

33. International Cooperative Development Strategies in the Changing World Environment: Continued relevance of the Cooperative Model - An ILO Perspective (1998) - G.Renard.
34. Cooperative Legislation - Prof.Hans - H.Munkner, Journal of Cooperative Studies. Vol.29:2 (No.87) Sept. 96.



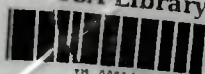
P.V. Prabhu, the Principal Consultant for this study is currently Trustee-Secretary of National Centre for Management Development in Agriculture and Rural Development Banking located at Bangalore (India). He has worked in Indian

Cooperative movement for more than 3 decades and has been associated with a number of policy making fora both within the cooperative movement and Govt. of India, P.V. Prabhu has contributed and presented a number of papers on cooperative legislation, policy, rural finance and banking, capitalisation, demultinationalisation to national and international Conferences. Cooperative Policy, Rural Finance and Banking and Human Resource Development are important areas of his interest.

COUNTRY CONSULTANTS

- 1. China** : Law Expert of All China Federation of Supply and Marketing Cooperatives.
- 2. Kuwait** : Mr. Md. Alkandri, Dy. Minister of Cooperatives.
- 3. Iran** : Mr. Jaffar Asgari Former Director - General of Ministry of Cooperatives.
- 4. India** : Prof. K. Elumalai, Professor of Cooperative Law, Vaikunth Mehta National Institute of Cooperative Management.
- 5. Indonesia** : Mr. Ibnoe Soedjoro, Former Secretary - General of Coops. Govt. of Indonesia.
- 6. Nepal** : Mr. S.R. Sakya, General Manager, National Cooperative Federation of Nepal.
- 7. Sri Lanka** : Mr. Udaya Seneviratne, Director, National Institute of Cooperative Development.
- 8. Singapore** : Mr. Leow Peng Kui, CEO of Singapore National Cooperative Federations.
- 9. Thailand** : Mr. Wit Praturkchai, Executive Director, Cooperative League of Thailand.

ICA Library



13.00014

II
334
II