

Report - 2000 EXPERIENCE



Local Actors on a Global Stage :

Co-operatives in
Canada and Asia
Entering the
New Millenium

A Status Report

March 1999



Développement
international Desjardins



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LOCAL ACTORS ON A GLOBAL STAGE :

**Co-operatives in Canada and Asia
entering the new millennium**

A Status Report

A joint endeavor of

**Développement international Desjardins (DID)
Canadian Co-operative Association (CCA)
and
International Co-operative Alliance
Regional Office for Asia and the Pacific (ICA-ROAP)**

With the support of

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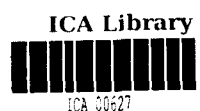


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0. INTRODUCTION

At the request of the CIDA Asia Branch, the Canadian Co-operative Association (CCA) and *Développement International Desjardins (DID)* presented an information session entitled “Co-operatives, Globalization and Asia” in Ottawa on May 21, 1996. The purpose of the session was to highlight the work of the two organizations with co-operatives in Asia. At the close of the session, CIDA, DID and CCA decided to undertake, in collaboration with the International Co-operative Alliance Regional Office for Asia & the Pacific (ICA-ROAP), an in-depth consultative process that would serve to *identify ways and means co-operatives can more fully realize their potential as a catalyst for social and economic development*. The consultative process was also expected to *enrich CIDA’s thinking about how co-operatives can contribute to meeting poverty reduction objectives, through private sector development, delivery of micro-finance and addressing basic human needs*.

At that time, much of Asia was experiencing dynamic economic growth. Liberalized trade, massive inflows of capital, and global information technology had brought wealth. But economic disparities between nations and between the rich and poor within nations widened. Co-operatives had made significant advances in helping the poor and low-income people improve their living standards, but poverty was still a major problem. Now, a number of countries in the region are experiencing acute economic crises and social dislocation. This dramatic change makes it all the more pertinent to explore the ‘co-operative difference’ for Asia.

Canada, too, is undergoing change. Significant reductions in public sector spending has eroded, at least temporarily, budget deficits at most levels of government. But the restructuring of health, education and other social services in the wake of spending cuts is far from complete. Experts assure us that the Canadian economy is fundamentally sound, but the Asian – and now global – financial crisis is having a direct impact on Canada’s traditional exports. Agriculture and forestry sectors are in severe difficulty. Pockets of poverty also persist in parts of the country with few or exhausted natural resources, where the evolution in trade and technology have left communities and whole regions in an economic hinterland. According to the latest United Nations *Human Development Report*, one in eight Canadians lives below the poverty line.

There is room to question the status of the co-operative sector in Canada. Some critics, even within the co-operative movement, believe that the economic success of Canadian co-operatives has been achieved at the expense of the ‘co-op character’. In this view, co-ops are becoming more and more like corporate enterprises as they strive to compete in rapidly changing markets. This tendency will intensify, goes the argument, since co-operatives have significant market shares in a number of sectors that are now under pressure. Still others see great opportunities in the current economic and social shake up for a new wave of co-op development.

The agencies collaborating in the study are committed to fully explore – to test and challenge – the co-operative experience, to present a balanced account that documents the successes and unique contribution of co-operative organizations, as well as their pressing challenges and limitations.

This document explores a number of issues that emerged from documentary research on the impact of co-operatives and the challenges they currently face. In Asia, co-op leaders in more

than twenty countries had an opportunity to respond in depth to questionnaires sent out by ICA-ROAP; many others were interviewed in person. More than sixty people “on the ground” across Canada – elected leaders, managers and members from co-ops in all sectors, as well as development professionals involved with co-operatives – had an opportunity to share their experience and perspective on these issues through interviews and in five focus group discussions (two with Quebec-based co-ops, two with CCA members, and one with CIDA representatives). Their comments and perspective in turn helped frame a number of key ‘themes’ that were the object of debate and exchange among co-operators, academics and development practitioners during the Round Tables, involving more than 40 persons from across Canada in Montreal; and more than 30 persons in Seoul.

This *Status Report* is intended to invite reflection, stimulate discussion, and enrich our common understanding of co-operatives' potential as a tool for social and economic development. It is hoped that relationships between Canadian and Asian co-operative sectors will solidify and expand through this exchange of ideas on how to meet and master the challenges of globalisation and social change.¹

¹ Except when otherwise indicated, the term ‘co-operative’ includes credit unions.

1. FIRST PRINCIPLES

The ICA “Statement on Co-operative Identity” defines a 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.” A co-operative is a collective enterprise. Its mission is to create surplus value for its members and their community. Co-operatives are called on to embrace a number of values, such as “*self-help, self-responsibility, democracy, equality, equity and solidarity*”. There are seven universally accepted co-operative principles, or guidelines, by which co-operatives are expected to put these values into practice.

- *Voluntary and Open Membership* : Co-operatives are normally open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- *Democratic Member Control* : Co-operatives are democratic organizations whose *members* are entitled to actively participate in setting their policies and making decisions. At the level of individual co-operatives, members have equal voting rights (one member, one vote), while second- and third-tier co-operative organizations are governed by democratically elected representative bodies.
- *Member Economic Participation* : Member investment constitutes a co-operative’s capital base, which is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Co-ops use financial surpluses (profits) to make productive investments, set up reserves, pay patronage refunds to members (in proportion to their transactions with the co-operative), and support any other activity approved by the membership.
- *Autonomy and Independence* : Co-operatives are autonomous, self-help organizations controlled by their members. When they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that maintain co-operative autonomy.
- *Education, Training and Information* : Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of the co-operative. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.
- *Co-operation among Co-operatives* : Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.
- *Concern for Community* : Co-operatives work for the sustainable development of their communities through policies approved by their members.

2. CO-OPERATIVE GENESIS - THE ROOTS OF THE CO-OPERATIVE DUALITY

2.1 Co-operatives were born in Europe during the middle of the industrial revolution, created and managed by and for poor laborers, with the aim of improving their living conditions. The co-operative idea was first applied in Canada among rural populations involved in both agriculture and forestry. From its early beginnings in the 19th century to the 1960s, the development of co-operatives in Quebec was a largely rural phenomenon initiated by the elite and promoted by the Catholic Church, with the province-wide implementation of *caisses populaires* coming as a result of a close association with the local clergy in each parish.² Since the mid-1960s, however, the role of the Church in the social sectors has been replaced by that of the government. Today, emerging co-op sectors are both urban and grassroots, inspired by the practical problems faced by ordinary people: affordable food and housing, employment, natural resource management, basic social services).

2.2 Co-operatives in English-speaking Canada also developed in response to economic and social conditions of the time. On the prairies, farmers first explored co-operative options to counter exploitation through the grain marketing system in the early years of this century. That effort culminated in the formation of the Wheat Pools in the 1920's.³ In the east, the Antigonish Movement fostered a range of co-operatives to help impoverished farmers break the cycle of exploitation by marketers and suppliers that had come to dominate their existence.



² A detailed treatment of the origin and evolution of the *Mouvement Desjardins* can be found in a three-volume work by Pierre Poulin, chief historian for the *Fondation Alphonse Desjardins*.

³ A brief but fascinating account of five successive waves of co-op development in the Prairie provinces is found in *Co-operatives & Community Development: Economics in Social Perspective* by Brett Fairbairn et al., Centre for the Study of Co-operatives, 1991.

The Antigonish Movement was also instrumental in introducing the credit union movement across Canada in the 1930's. In later years the co-operative model has been successfully applied to housing, health care, child care, funeral and ambulance services, and to worker-owned enterprises providing stable, local employment in forestry and other sectors.

2.3 The history of Canada's co-operative system demonstrates that difficult economic conditions favor the creation of co-operatives. Snippets of that history have fed two popular, but distorted notions about the origin and nature of co-operatives.

- ✓ Co-ops are often seen as poor cousins to the real private sector, a business patched together to serve the once and/or always poor. This image, often present in the development community, identifies the co-operative model with a primarily *social mission*. This is explained by the observation that marginalised, vulnerable, impoverished groups may have no other option but to join together...or starve separately. This image has been reinforced lately by the prominence given to the co-op model for activities in the "social economy", where it's very handy to fill in the gaps in social services to the poorer classes. In this view, co-ops muddle along doing something worthwhile but not all that profitable anyway.
- ✓ Eminently successful co-operative enterprises are disparaged for having deserted their humble origins. A 'true co-operative', it is presumed, cannot thrive in the 'real economy' because it lacks the managerial qualities necessary to compete successfully. Strongly competitive co-operatives are questioned about the strength of their social commitment.

2.4 Taken together these notions create a paradox, and within this paradox lies the profound duality of the co-operative model: *the economic and social aspects of co-operatives are inseparable; both economic and social factors are critical for the creation and success of co-operatives*. This duality pervades the co-operative experience. Co-op patrons are also its owners. A co-op is a business with a concern for community. Democratic decision making must be compatible with management efficiency. Economic reality reinforces social commitment. Let us thread our way through this paradox.

*Co-operatives develop around an **economic opportunity**. The co-operative model is one way people choose to exploit that opportunity.*

2.5 One type of economic opportunity is the 'market weakness', where collective action is one means people have of acting in a market that is hostile or indifferent to them. Many of the giant agro-food co-operatives, for example, developed out of farmers' interest in bettering the farm gate price through group action in marketing and/or processing. Financial co-operatives throughout Canada have succeeded by filling a need for financial services in communities and situations where chartered banks could not or would not go. Prairie farmers frustrated with the position of the farmer in a grain marketing system exploited by the Winnipeg Grain Exchange formed the three wheat pools in the 1920's. Energy co-ops in the Prairie Provinces are another example of collective action to provide common access to technology otherwise unavailable.

2.6 Seizing an economic opportunity can also mean ‘escaping economic dependence’. Co-operative action means that there are greater benefits to each member than if they acted alone. The origins of the successful *Fédération des coopératives du Nouveau Québec* can be found in the feelings among Inuit Peoples of exploitation at the hands of the Hudson Bay Company. Localized collective efforts to reduce the price of inputs and consumer goods have grown into huge regional multi-service co-operative organizations.

2.7 Finally, an economic opportunity may be a ‘niche in the social economy’. New service needs arise that neither the public nor the private corporate sectors meet. Where private services are available, many people can’t afford them. Co-op niches may be found in housing, home care, childcare, wholesale buying, marketing specialized skills, and education.

2.8 The notion of economic opportunity also means that co-ops do not arise among the most destitute. Contrary to a popular misconception, for example, Alphonse Desjardins organized among the *petit bourgeois* who had little access to English-dominated financial services. Potential co-operators necessarily have some product, service or other resource to contribute to the common cause. Co-operatives don’t solve problems of employability, but give ordinary people a tool they can use to express their potential as entrepreneurs. The goal of economic independence strengthens the conviction that people can take control of economic factors that affect them. As one co-operative leader put it, “Co-operatives are a wager that people can become protagonists in their own development.”

Co-ops and employment creation

The Canadian co-operative system employs nearly 150,000 people, making it one of Canada's largest employers. According to the latest data available (1995), the top 50 co-ops employed nearly 35,000 persons, a 5% increase over the previous year. The impact of co-ops on employment is even more significant in some regions and sectors.

- ✓ Co-ops in Aboriginal communities employ more than 20,000 persons, making them the second largest supplier of jobs after the government.
- ✓ With more than 42,000 employees, the *Mouvement Desjardins* is the largest private sector employer in Quebec.
- ✓ Agricultural marketing and processing co-operatives are not only a major economic force because of their business volume, they also employ more than 18,000 persons. The two most important agro-processing co-operatives in Quebec, Agropur and CFQ, employ nearly 8000 persons.
- ✓ Forestry is an area where co-ops play a particularly strong role in employment creation and preservation. Nearly 65% of Canada's forestry co-ops are found in Quebec, and all of these are worker co-ops. In 1993 they provided 6,455 full- and part-time jobs on business volume of \$212.3 million. In the past few years, Quebec's forestry co-ops have been involved in training persons receiving social assistance in silviculture.
- ✓ The rising interest in workers' co-ops reflects both the tremendous need for jobs and the increasing interest of people to have control over their jobs. There were 225 workers co-ops reporting in 1995, providing nearly 20,500 full jobs (members and employees) on business volume of \$459 million.

Job creation is a critical concern to governments, business and social interest groups. Job creation is even used as a measure of economic success. In common speech we tend to attribute job creation to the business model adopted to exploit economic activity. Thus, we speak of "job creation by small and medium enterprises", or "job creation through worker co-ops".

But jobs are created by the exploitation of economic opportunity, and not by government program. The danger in the common discourse of "job creation" is that it masks the fact that there is net employment gain only when one exploits *new* economic opportunities. The failure of numerous 'make work' development schemes demonstrates that it is short-sighted to focus business development strategies on measures of jobs created, without reference to the environmental and social soundness of the economic opportunity, the viability of the business organisation, and the sustainability of the employment generated. The Regional Development Co-operatives (CDR) in Quebec, for example, receive a financial contribution from the provincial government on the basis of the number of new jobs created *and stable over time*.

Favourable social forces determine that the search for an appropriate way to organize around an economic opportunity turns to the co-operative model.

2.9 Co-operatives come into being when people feel a shared need or interest and believe that their individual goals can be better achieved through collective action. The co-operative model is attractive as a source of collective identity, a feeling of belonging. Co-operatives are often an expression of 'community solidarity'. Co-operative funeral services, for example, are developing rapidly in Quebec not only as a reaction to acquisitions by American firms, but as an expression of neighbourhood identity.

2.10 Co-operative leaders interviewed for this study are eager to note that co-operatives have historically been created in response to an unfavourable economic and social situation, but that they differ fundamentally from protest organizations. Co-operatives arise first and foremost from a profound commitment to self-help, and not from a reflex for political vindication. In similar fashion, the co-operative model is seen as a practical response to a given situation, and not the answer to all socio-economic ills in all contexts.

2.11 For an openness to co-operative action to take form as a real co-operative, it is essential that the people organizing together are able to fashion the 'co-operative model' to their social context. In fact, the imaginative use of the co-operative model is a key to the successful launching of a co-operative. We can see this today in the emergence of 'solidarity co-operatives' in health care, where the common purpose is no longer identified by a common primary role (producer, consumer, worker), but by a common interest (health professionals, beneficiaries of care, interested third party investors).

2.12 The image of co-operatives in many developing countries faces a different problem. In Asia notably, the co-operative movement in most countries evolved from people-sponsored co-ops, to state-directed and controlled co-ops acting as instruments of government policy. The word 'co-operative' is often associated with innumerable development schemes sponsored by benevolent (and otherwise) national governments. The image of the co-operative model is tarnished by its association with, and usurpation by, governments.

2.13 Governments give high priority to such objectives as food security, poverty alleviation, increasing agricultural productivity and ensuring social justice. Co-operatives are thus often seen as a key element in development strategies, especially for the rural-agricultural sector. The classic rural development strategy involves the rapid creation of 'co-operatives' among target populations to rationalize the delivery of incentives and services: massive provision of cheap credit, provision of highly subsidized inputs, direct marketing support or price control mechanisms, and direct management of co-operative affairs by government or parastatal staff. Thus, many government agencies promote co-operative formation, actively 'creating' co-operatives that show little respect for co-operative principles (*democratic member control* and *autonomy and independence* most notably).

2.14 Multi-lateral and bilateral funding agencies also play a role in this unhealthy dynamic. Many of these agencies nurture misconceptions about co-operatives because of their experiences with government-sponsored 'co-operative' structures. The result is a paradox of : 1) the perpetuation of donor-supported government programs using overnight "co-ops" as conduits; and 2) a growing mistrust of co-operatives in the face of the cyclical 'boom and bust' of co-operative systems created under the very government programs these agencies support.

2.15 This approach often works to weaken the resolve of the intended beneficiary populations to help themselves. Many studies have demonstrated that the massive provision of cheap government credit discourages the good habit of reimbursing loans as

well as that of savings which are central to co-operative self-reliance and sustainable credit systems. The history of agricultural development schemes demonstrates that subsidies and unbridled market support creates dependency and promotes inefficiencies. Direct government intervention in co-operative affairs to accelerate these processes actually stunts the expression and development of the self-help capacities that are the co-operatives' strength, and severely limits the co-operatives' ability to contribute to either economic or social goals.⁴

Indonesian co-operatives and their government

"The politics of food is further complicated by the desire of some in Mr. Habibie's cabinet to break the grip of the ethnic Chinese minority on the country's commercial life. One such minister, Adi Sasono, in charge of a network of co-operatives, and wants them to play a role. Mr. Saefuddin [food minister] says they do not have competent staff. This week, faced with a request to distribute cooking oil, one co-operative confessed it did not know how." (*Economist*, September 19, 1998)

3. CO-OPERATIVES MEAN BUSINESS - COMMUNITY-OWNED BUSINESSES IN GLOBAL MARKETS

3.1 Co-operatives are a vital part of Canada's economic life. Canadians hold more than 14.5 million memberships in co-operatives, credit unions and *caisses populaires*. Co-operative enterprises have a significant market share in a number of commodities, products and services. Let's look at the facts.

3.2 In 1997, 17 co-ops were among the Financial Post's Top 500 non-financial companies. Of the Top 100 financial companies, 28 were co-ops. The 7,870 co-operative associations reporting in 1995 accounted for \$33.7 billion in business volume and \$156 billion in assets.⁵

3.3 Agricultural co-operatives play a major role in the Canadian economy. In 1995, approximately 40% of total farm cash receipts were handled by co-operatives. On the input side, they account for 36% of fertilisers and agricultural chemicals, 27% of feed and 19% of seed sold in Canada.

- ✓ The three Prairie Wheat Pools handle over 59% of the grains and oilseeds grown in the four western provinces. In Quebec, the *Coopérative Fédérée du Québec* has the largest share of grain marketing in the province with 35% of the market.

⁴ See Ibone Soedjono and Mariano Cordero, "Critical Study of Co-operative Legislation and Competitiveness" in *4th Asia-Pacific Co-operative Ministers' Conference on 'Co-operatives in a Changing Socio-Economic Environment'*, March 18-22, 1997. ICA-ROAP.

⁵ See APPENDIX D: Harris, Andrea and Fulton, Murray. *Comparative Financial Performance Analysis of Canadian Co-operatives, Investor-Owned Firms, and Industry Norms*. Centre for the Study of Co-operatives, University of Saskatchewan, 1995.

- ✓ In 1995, co-ops marketed 57% of the milk produced by Canadian farmers. Co-ops hold at least 20% of the market in Ontario, while Quebec's six dairy co-ops, led by Agropur, control 80% of the industrial milk market and about 50% of fluid milk sales in the province.
- ✓ Co-operatives handle about 54% of the pork and 25% of all meat processed in Quebec.
- ✓ Co-ops in Alberta, British Columbia, and Quebec dominate the poultry and egg markets. Co-ops count for about 50% of the chicken market and 40% of the egg market in Nova Scotia.
- ✓ Almost 20% of the fruit and vegetables marketed in Quebec pass through co-operative hands. Co-ops associated with the BC Tree Fruit Marketing Ltd. carry on the largest co-operative fruit and vegetable marketing activity in Canada. Norfolk Fruit Growers in Ontario and Scotian Gold in Nova Scotia have important shares of their regional markets.
- ✓ Quebec's maple syrup co-ops market 35% of world maple product production, worth \$24.6 million in sales in 1995.

3.4 Financial co-ops are one of the great co-operative success stories in Canada. In 1997, six financial co-ops ranked among the Financial Post's Top 50 Financial Institutions. Credit unions and *caisses populaires* boast more than 10 million members, \$120 billion in assets and savings deposits of \$81 billion.

- ✓ The *Mouvement Desjardins* is the largest financial co-operative enterprise in Canada. With assets of \$71.53 billion (1997 data), it ranks sixth among Canadian financial institutions. Its 5.1 million members (70% of provincial population) have at their disposal a full range of financial services available in 1,318 *caisses*. The movement's 1,677 branches are more than the total number of branches of Canada's chartered banks in the province. In 1997, the *Mouvement Desjardins* controlled 44% of deposits in personal savings accounts, 32% of consumer credit, 40% of mortgage loans, 45% of agricultural credit, 23% of commercial and industrial credit, 19% of life insurance premiums subscribed and 10% of main damages insurance premiums subscribed in Quebec. At the end of 1997, *Desjardins* employed some 42,400 persons in Quebec alone, more than 20% of the jobs in the financial, insurance and securities sector in the province. It is estimated that about 1 job in 60 in Quebec is directly or indirectly related to the activities of *Desjardins*.
- ✓ The credit union system in English Canada serves some 4.5 million members through 898 local credit unions throughout 9 provinces. With assets of more than \$49.3 billion and 18,000 employees, it represents a significant financial force. The Vancouver City Savings & Credit Union is the 24th largest financial institution in Canada (1995 data). With \$4.8 billion in assets and 218,000

members, VanCity is by far Canada's largest primary credit union. Earnings in 1995 were nearly \$40 million, an 8.84% return on share equity.

3.5 The Co-operators, *Service santé du Québec (SSQ)*, *Groupe Desjardins*, and the CUMIS Group – are among the largest insurance companies in Canada. If one includes the activity of *Assurance-vie Desjardins*, a wholly-owned corporation of the *Mouvement Desjardins*, the co-operative system holds over \$7.8 billion in assets and more than 10 million policy holders. The Co-operators is one of the largest property and casualty insurers in Canada.

3.6 Retail/wholesale co-operatives in the western and Maritime Provinces are an important part of the economic landscape. The 347 member co-ops of Federated Co-operatives Limited have total annual sales of nearly \$3 billion. Calgary has the largest consumer co-op in North America with nearly 40% of the local retail market. Some 165 co-operatives are members of Co-op Atlantic, with total 1993 sales of over \$454 million.

3.7 Co-operatives of SME size are successful providing a variety of products and services, such as housing, transportation, school supplies, craft marketing, professional services, community economic development. Co-ops are often created where the corporate private sector has not found an acceptable rate of return on investment (e.g. energy and communications in sparsely populated areas), or where governments do not provide – or cease to provide – essential services, leaving the field open to private and/or benevolent initiative (e.g. health care, child care).

Co-operative or corporation – does it matter?

The Gaspé region has been one of the most economically depressed areas in Quebec, with systematically higher rates of unemployment than rest of the province. Several communities in the Gaspé region owe their continued viability to the local forestry co-op. In fact, many of the 31 members of the *Confederation québécoise des coopératives forestières* are the principle enterprise in their community.

Does it make a difference if the dominant player in a single industry town is co-operative or corporate (including single proprietorships and partnerships)? The answer to that question may depend on the extent to which the co-operative builds local capacities for locally directed, self-reliant development. Research carried out by the Center for Co-operative Studies at the University of Saskatchewan indicate that co-operative enterprises have significantly higher leverage in the local economy than do corporate enterprises. Greater leverage means that more of the surplus value generated by the economic activity circulates within the community, and that it circulates there longer before diffusing into the larger economy. This means that added value generated by a co-op is likely to nurture more local enterprises (suppliers, service providers, further transformation) than a corporate organisation. A more active local economy attracts a productive population, whose ideas and ambition drive continued economic and social development. Co-operatives' high leverage makes them effective motors of local and regional development. (For further reading see Brett Fairbairn et al. 1991. *Co-operatives & Community Development : Economics in Social Perspective*. University of Saskatchewan.)

Co-operative Financial Institutions

This study contacted 350 co-operative banks operating in 120 countries. The data collected are impressive:

- Assets managed by co-operative banks total \$5,589 billion.
- These institutions regroup 299 million members in 216,616 primary units.

Distribution by Continent

	Asia	Europe	America	Africa	Australasia
Assets (\$5,589 billion US)	44.6%	46.7%	8.3%	0.1%	0.2%
Number of members (299 million)	51.4%	14%	30%	3.3%	1.2%
Number of primary units (216,616)	71.8%	6.8%	8.7%	12.4%	0.2%

HIGHLIGHTS – 1996

- **29 countries** with combined assets managed by co-operative banks worth more than 1 billion dollars.
- **57 co-operative banks** with assets of more than 500 million dollars.
- **17% of the assets** of the top 1,000 banks in the world are managed by co-operative banks.
- **60 countries** with more than 50,000 co-operative bank members.

SOURCE : (Profil des institutions bancaires coopératives dans le monde – 1998. Centre de gestion des coopératives de l'École des Hautes Études Commerciales)

3.8 In a number of countries in Asia, co-operative business activity shows a similar pattern to that in Canada. Co-ops have a strong market presence supplying agricultural inputs (including credit) and consumer goods, processing and marketing agricultural products, and providing financial services.

- ✓ 'Co-operative village units' in Indonesia serve nearly 50% of the rural population, and 30% of national population.
- ✓ With its 452,657 primary societies, a membership of more than 200 million, the co-operative sector in India is one of the largest in the world. Co-operatives are found in 99% of the villages, where 2 out of 3 households hold memberships; more than 60% of rural credit is managed through co-ops. (Source: ICA-ROAP, 1998)

- ✓ Although only about 8% of the Philippine population is served through co-op membership, co-ops have a significant presence among low-income earners, agricultural and informal sector workers.

3.9 Asian “co-operatives” are of two general types: those sponsored and controlled by the state, and people-sponsored, member-driven “true co-ops”. The vast majority of that activity is carried out by government-controlled co-ops. But government-initiated co-operatives generally benefit from continued support, without which many risk failure. With a few notable exceptions (SANASA credit societies in Sri Lanka, NATCCO affiliates in the Philippines), member-driven co-ops’ are just beginning to impact national economic statistics. Without government subsidies, they maintain themselves in a competitive market through the commitment and unity of their membership. Even where government strategies and policies are less than supportive, many co-operatives are coping through sheer perseverance and strict adherence to co-operative principles.

“Self-sustaining co-operatives are found to achieve rapid growth once they reach a certain critical mass in terms of resources and membership. This is to be expected since this implies wider public acceptance and adequate resources that permit co-operatives to 1) make use of professional management, 2) provide better and more diversified services. These in turn enhance membership patronage and loyalty, which trigger still wider acceptability with potential members.”

Ibnoe Soedjono and Mariano Cordero. “Critical Study of Co-operative Legislation and Competitiveness” in 4th Asia-Pacific Co-operative Ministers’ Conference on ‘Co-operatives in a Changing Socio-Economic Environment’, March 18-22, 1997. ICA-ROAP.



4. CO-OPERATIVES IN THE COMMUNITY - THE CONTRIBUTION OF CO-OPERATIVES TO SOCIAL DEVELOPMENT

4.1 The co-operative approach sees people as the principal agents of their own social and economic development. Co-operatives are structures through which individuals can pool scarce resources and energies to achieve goals they have determined for themselves. The co-operative values of self-reliance and self-help “put people first” as beneficiaries by first insisting that they be responsible for the actions undertaken for their own benefit.

4.2 *Co-ops build local capacity for management and governance.* Co-op members are responsible for managing their collective resources through democratic structures and procedures and in accordance with sound principles of financial and administrative management. The *caisses populaires* have played an important role training human resources and articulating social responsible financial services in Quebec. In fact, it's difficult to put a figure to the large number of Quebecois et Quebecoises who passed through “l'Université Desjardins”. In English Canada, some 60,000 people serve on co-operative governing boards. The responsibilities of co-operative governance offer many opportunities for ordinary people to acquire the skills necessary for such leadership roles.

4.3 Beyond their contribution to their members' and communities' economic activity, *co-ops also provide needed services that have a social value equivalent to, sometimes greater than, their economic value.* Operating efficiency is an essential fact of continuing business viability, but member-owners may decide to give service the front seat over profits. In financial co-ops this may mean providing very small loans to poorer members, as well as more convenient hours of business for working members. In the interests of maintaining viable communities, networks of retail and agricultural co-ops may maintain stores and offices that generate comparatively lower surpluses, through cross-subsidies within the network. While such practices may make co-operatives a less attractive investment choice for profit seekers, they are sound investments for individuals who – through collective action – strive to assure the continuing availability of needed products and services.

4.4 Finally, wherever the co-operative movement is strong in Canada, *co-ops provide human resources and technical services to their communities.* Most co-ops furnish meeting space and material support, and channel uncounted hours of volunteer service into their communities. In smaller, more isolated communities, the co-op may be a hub of community life.

4.5 Co-operatives are committed to putting their value of social responsibility and caring for others into practice by working for the sustainable development of their communities. One need only think of the role played by housing co-operatives in providing quality, affordable lodging to lower middle class and disadvantaged families. In Saskatchewan, credit unions and housing co-ops have teamed to tackle the problem. VanCity is a leader in supporting local enterprise, community development and environmental recovery in greater Vancouver. A credit union or *caisse populaire* provides the only financial service available in some 900 Canadian communities, more than 700 of

these in Quebec alone. During 1997, the *Mouvement des caisses Desjardins* returned more than \$100 million to the communities where it is present, through patronage refunds, donations and sponsorships of local organizations.

5. CO-OPERATIVES AND GOVERNMENT AS PARTNERS IN DEVELOPMENT

5.1 The Canadian co-operative sector has a close working relationship with federal and provincial governments. The federal government assigned responsibility for the co-operative sector to the Ministry of Agriculture in 1984. In 1987, the Co-operatives Secretariat was created to help the federal government respond more effectively to the concerns and needs of co-operatives. The Secretariat advises the government on policies affecting co-operatives and co-ordinating the implementation of those policies. The Minister's Advisory Committee on Co-operatives and an Interdepartmental Committee on Co-operatives also help to ensure that the federal government has a good understanding of co-operatives' interest and needs. Responsibility for co-operatives at the federal level is shared with the Minister of Industry, whose department is responsible for regulation of federal co-operative legislation.

5.2 Provincial governments are also closely involved with the co-operative sector. Most co-operatives are incorporated under provincial or territorial authority. All credit unions are regulated under provincial credit union legislation. In each province a stabilization fund and/or a deposit insurance and guarantee corporation protects the deposits of credit union members. These corporations maintain close contact with their respective provincial regulators.

5.3 The degree of supervision required and the amount of assistance provided to co-operatives varies greatly from province to province. In some provinces the only assistance is incorporation and supervision of amalgamations and dissolution. In other provinces, dedicated staff resources and materials are available to help with start ups and incorporation. However, in Quebec and Saskatchewan (and to a lesser extent, Manitoba and British Columbia), provincial governments have been particularly supportive of the co-operative sector. This support has included ministries or departments dedicated to co-op affairs; technical assistance for co-op promotion and institutional strengthening; risk capital and investment guarantee schemes; and on-going dialogue on policy and legislation. The strength, diversity and autonomy of the co-op sector in these provinces are the fruit of a close working relationship between co-ops and provincial governments.

5.4 The relationship between the Canadian co-operative sector and the state is much different than that of its Asian counterpart. Co-operatives in Asia (with the exception of Japan) were long treated as an adjunct of the public sector. With the introduction of economic reforms to strengthen market economies, national governments have moved to initiate policy reforms to create a conducive environment for private sector development, including responsive legal reforms to empower co-ops to break their dependency on the Government. What is clearly emerging is the vibrant and self-sustained growth of private co-operatives, no doubt enhanced by an improved policy environment. The ICA-ROAP

has been active in support of legislative reform in the region, with support from DID and CCA.

5.5 Asian governments appear to be moving away from an interventionist stance to a more supportive (and passive) role in co-operative development, but many continue to pursue inappropriate development strategies and programs. Except in Singapore and the Philippines, ministries or agencies in charge of co-operatives are large bureaucracies with the resources to penetrate at least to intermediate levels. There are also indications that some Asian governments may be ambivalent about having a strong co-operative movement. One finds 1) instances of private-led co-operatives being officially ignored or refused registration, 2) the strong presence – even politicization – of apex organizations, apparently to ensure adherence to a political agenda, and 3) continued government intervention in co-operative affairs varying from direct management, to a national co-operative strategy wherein political imperatives prevail over universal co-operative principles.

6. CANADA'S ROLE IN THE DEVELOPMENT OF CO-OPERATIVES IN ASIA

6.1 In both philosophy and practice, the co-operative sector is a strong proponent of open public policy discourse, the value of participatory democracy, and the strength of co-operation and partnerships. These principles and the practical applications of the co-operative model are an integral part of Canada's cultural fabric. An important expression of co-operatives' compatibility with, and value for, Canadian foreign policy is their partnership with government for the promotion and strengthening of co-operatives in developing countries. Strong co-operative systems are seen to support sustainable development, reduce poverty and contribute to a more secure, equitable and prosperous world.

"Co-operative programs and projects are appropriate vehicles of international development in the current environment of government disengagement, structural adjustment, emphasis on economic growth, and democratisation of socio-economic structures...The Canadian co-operative movement is a sector of excellence in Canada because of its economic and social dimensions, its participatory structures, and its particularly high level of integration (federations, confederations, and co-ordinating associations). This model is well-suited to replication."
(C.A.C. International. *Evaluation of CIDA's Co-operative Program*. 1992)

6.2 Federal government support to co-operative development on the international scene is channelled through CIDA. CIDA supports co-operative development through four mechanisms.

- CIDA contributions to *multilateral agencies*, such as the ILO, UN agencies, and the World Bank, finance actions, which may include the development of co-operatives.

Specific actions supported through this mechanism are difficult to trace, and therefore difficult to evaluate in terms of their scope, effectiveness and impact.

- Since 1984, *NGO Division* has financed 139 projects classified under various sectors of co-operative activity. More than thirty Canadian NGOs have proposed and carried out projects with co-operatives for a total value of \$17.8 million.⁶
- *Regional Branches* contract with co-operative organizations as executing agencies for bilateral projects involving the co-operative sector. Asia Branch currently has four contracts underway with CCA, for a total value of \$27.3 million; and four contracts with DID, for a total value of \$9.4 million. CCA and DID are working together in a project in the Philippines.
- Funding through the *Co-operatives, Unions and Professional Associations Program* (CUPA) of the Institutional Co-operation Division (ICD) originated in the creation of a “Co-operative Program” in 1980. CUPA works with three institutions, including CCA, DID and the Société de coopération pour le développement international (SOCODEVI). Today, these apex organizations receive nearly 100% of the Division’s co-operative program funds. For the fiscal years 1991-1998, CUPA contributions through its three partner co-operative organizations total \$92,860,425. Only CCA and DID are active in Asia, where both are involved with a number of regional co-operative organizations, such as the ICA-ROAP and the Asia Confederation of Credit Unions (ACCU).

6.3 In spite of its considerable support for co-operative development and the variety of mechanisms through which that support is expressed, CIDA does not have a specific policy or strategy for promoting co-operative development. It may be argued, that CIDA’s partners are capable of defining the orientation and evolution of Canadian support for co-operative development. Various divisions approve co-operative support projects or components where they serve CIDA’s priorities, and are coherent with regional and/or country policy frameworks and strategies. CIDA’s current coding and classifying guidelines tend to slot co-operative development under the ‘Private sector development’ priority.

6.4 This situation demonstrates CIDA’s confidence in the capacity of its co-operative partners. But it does beg the question of what level of co-operative expertise may be ideal within CIDA. It may in fact be argued that co-operative expertise is as pertinent as, say, micro-finance, private (corporate) enterprise and gender expertise.

6.5 The co-operative model is seen by many to have a unique potential – because of its values, principles, and track record in both economic and social spheres – to help societies around the world pursue the twin goals of economic development and social justice.

6.6 CCA is currently involved in 31 different countries on four continents, supporting more than 30 partners in the production and service sector through its diverse pool of

⁶ A fuller analysis of CIDA NGO funding for projects with co-operatives is found in Appendix A.

expertise drawn from its multi-sectorial membership. Nine projects are in Asia: China, Philippines, Vietnam, Mongolia, Indonesia, India, Nepal, Sri Lanka, and Thailand covering the following sectors: agricultural, marketing, housing, fishing, financial co-ops, and micro-finance. CCA's Asian regional strategy is articulated in four points:

- to maintain a network of regional partners through a variety of means, including an annual partners' forum, continuing collaboration in project/program development, as well as business ventures;
- to create, through development programming with partners, co-op models for people and communities to replicate at low cost using their own resources;
- to respond, using Canadian technology and skills, to the expressed needs of the region for assistance in the areas of co-op/community enterprises, co-op financing/banking, co-op agribusiness, and co-op housing;
- to collaborate with regional organizations, including the ICA, the ACCU, and United Nations agencies concerned with co-operatives, in forums and action aimed at furthering the interests of co-operatives in the region.⁷

6.7 DID is currently involved in projects in 27 different countries on four continents, supporting more than 15 co-operative financial networks. Three of these are in Asia: China, Vietnam, and the Philippines. With the aim of reducing poverty and ensuring the sustainable development of economically underprivileged populations in developing countries and in transition economies, DID focuses its interventions in the field of co-operative financial services and financial support to income generating initiatives (micro-finance).

6.8 DID is committed to the security of the financial resources entrusted to the co-operative financial systems with whom it works, and focuses on institutional strengthening and notably on building its partners' capacity through training for supervision and surveillance, as well as setting up control and information systems and Deposit Guarantee Funds. DID is acutely aware of the significant need to strengthen the supervision and surveillance functions in financial institutions in many Asian countries. More specifically, DID emphasises actions in the following areas:

- Support to savings and credit institutions, devoting attention to start-up, consolidation and reengineering of institutions, market analysis, savings mobilisation and credit products definition and management, management information systems and banking software development, human resource training, legal framework, institutional strengthening of regional unions and national federations, and network operations;
- Supervision and surveillance of financial institutions in the context of financial sector reforms in Asian countries;

⁷ See Appendix C – Overview of CCA Experience with Asian Co-operatives

- Micro-enterprise support and financing, helping existing financial institutions to open up to the low and middle income clientele through outreach and linkage mechanisms.⁸

Despite CIDA's solid support for co-operative development in the past and indications that it will continue to do so, some are asking if CIDA is taking full advantage of the co-operative model in its work. Some may ask if CIDA has a comprehensive vision of what it is supporting in the way of co-operative development. In fact, one purpose of the current research and consultative effort – of which this document is but one output – is to explore the co-operative model as a strategic vehicle for Canadian development assistance.

7. RESULTS OF CIDA'S SUPPORT TO CO-OPERATIVE DEVELOPMENT

7.1 The most recent program evaluation of CUPA funding for co-operative institutions, institutional evaluations of DID and CCA, project evaluations and other targeted studies have amply documented the results of CIDA's investment in co-operative development.

Results for beneficiary populations

7.2 Projects in various productive sectors (e.g. agriculture, fisheries, crafts) have been found to support the establishment of viable co-op enterprises, and improve production and marketing efficiency in existing co-ops. This in turn contributes to improved socio-economic conditions for members. Access to credit provided through savings & credit co-ops increases the income of grassroots members. CIDA's policy on poverty reduction cites co-operatives among the private sector actors who help reduce poverty by generating income and employment growth.

7.3 Co-op members, as both beneficiaries and owners, have a right to participate in the management of their co-op. In a number of Canada's developing country partners, membership in a co-operative is a unique opportunity for persons to experience democratic processes.

7.4 Although women comprise the majority of co-operative membership in the Asia region, their participation in leadership and decision-making bodies is still low. It has been found that any co-operative, whether mixed or women-exclusive, will attract poor women only when there is careful targeting and substantial support to facilitate their participation.⁹

⁸ See Appendix D - DID Experience with Asian Co-operatives

⁹ See Appendix E – *Increasing Women's Participation and Benefits*, a summary of Moffat, Linda. *Women in CCA Projects in Sri Lanka: A Case Study*. CCA, 1991.



Results for developing-country co-operative organizations

7.5 Canadian support contributes to a significant increase in the technical management capacity of most partner co-operative organizations and in their ability to provide efficiently products and services and on a sustainable basis. The most conclusive results have been found with first-tier (primary) co-ops, where appropriate technical assistance and support for training have improved management to the point that a majority have achieved profitability.

7.6 The greatest improvement in financial self-sufficiency is seen at the first-tier level. Co-ops and their members show increased productivity, increases in sales, increased capitalization, and greater returns paid out to members.

7.7 Canadian support has enabled growth in co-op networks as they increase their capacity to provide appropriate technical services to their members. In the case of financial co-ops, both direct and indirect support (i.e., through second- and/or third tier coops) has enabled networks of first-tier co-ops to reach financial equilibrium and expand. Second- and third-tier co-ops (federations, confederations and other apex bodies) show some improvement in financial self-sufficiency.

Results for CIDA's institutional partners

7.8 CIDA has developed a genuine partnership with the major co-operative institutions involved in international development. They have become competent and focused organizations that enrich and reinforce the contribution of Canada to development.

Selected lessons learned from CIDA experience supporting co-operative development

7.9 Co-operatives can play a significant role in development strategies if they are allowed to focus on providing economic and social benefits to their members, rather than serving as instruments for implementing national development strategies. The success of the co-operative movement in developing countries is closely tied to the establishment of a genuine partnership between the co-operatives and the government, based on recognition of the independence and autonomy of the co-operative movement. The Canadian experience is particularly positive in this regard and may be seen as a model of its kind.

7.10 One of the principal means by which co-operatives impact poverty is by assisting economically disadvantaged or exploited people to develop and/or increase their productive capacity and control over economic factors. They are a valuable tool for an emerging middle class, low-income groups and the informal sector. Co-ops contribute to break the isolation of marginal groups and to strengthen relationships within the community.

8. CO-OPERATIVE DEVELOPMENT AND CIDA PRIORITIES

8.1 The co-operative model is a multifaceted development tool whose dual mission – exploiting economic opportunity and strengthening communities – positions it well to make a unique, valuable and sustainable contribution to growth with equity. This is not to say that co-op development is foolproof or easy. In fact, the Canadian experience teaches that the creation of viable co-operatives often is a long, difficult process. Nor less has this document sought to convince that “starting a co-op” is an appropriate response to all development problems. The co-op model measures well against the lofty goals of CIDA’s development priorities. Let’s consider co-operatives in the light of four of CIDA’s priorities where the co-operative model may be particularly pertinent.

Private sector development

8.2 Co-ops – like other enterprise models – develop where there are economic opportunities inefficiently exploited or not exploited at all. Such opportunities may exist because other private enterprise models refuse to exploit them. This is often the case with marginal or scattered populations who are not served by enterprises with a purely profit maximisation objective. (The birth of the Mouvement Desjardins is a case in point.) Economic opportunities may also exist because collective entrepreneurship may produce greater overall gain – combining economic and social factors – than other forms. Usually such gains are realised by eliminating intermediaries, or by accepting a lower economic return on the collective activity in order to maximise social returns. (The vibrant co-op sector in Saskatchewan is a case in point.)

8.3 The message of Canadian co-operative leaders consulted for this study is unequivocal in this regard: co-operatives are only able to generate significant and lasting benefits for their members and their communities by being viable businesses. DID and CCA, as agents of a dynamic Canadian co-operative sector, are committed to promoting efficient private sector actors that are unique in that they also foster economic democracy and social equity.

8.4 Co-op development is at times criticized because it is seen as taking far too long. In the interest of “showing results” – number of enterprises created, number of entrepreneurs launched, concrete benefits seen within the “the project cycle” – many development professionals are impatient with the time and expense of building a co-op. This sentiment should be tempered by three important considerations: *adjusting our time horizon, adding value through participation and growth with equity.*

8.5 First, we must use an appropriate time horizon. Canadian co-operative experience fully supports the contention that it takes longer to build a co-op than to start up a single proprietorship or a limited liability company. But that same experience also shows that while a co-op is much more difficult to launch than other forms of private enterprise, the life expectancy of co-ops is much longer. Records show that nearly 70% of co-operatives created in Canada are still in operation after ten years, while some 80% of private enterprises created close shop within one year. Such stability is built into the co-op model, largely through the principle of “member economic participation” which makes the capital base of the enterprise inalienable and indivisible. While this principle does create its own problems (e.g. difficult capitalisation from outside sources, disadvantageous conditions for member withdrawal and renewal), profit taking on borrowed capital and the risk of easy bankruptcy that it entails, are not among them. The recent economic history of Asia is rich in lessons about the advantages and disadvantages of the free flow of capital and the bubbles one can blow with other peoples’ money. The co-op model of enterprise is fundamentally stable – if slow to start off the mark – because it is rooted in the community’s own resources.

8.6 A second consideration is that of the “added value” of building a co-op. What one sees too often is simply the resulting organizational form, while ignoring the intangible products of the process of its creation. Creating a co-op is a fundamentally participatory process: groups of people arguing economics, designing organizational structures and operating procedures, making business plans and decisions, mobilizing resources,(...) building networks of solidarity, community self-help and autonomy. The additional effort and time required to build a co-op enterprise is not an unavoidable inefficiency built into the model. The added value of such intense local participation while difficult to quantify, proves invaluable in terms of individuals and group empowerment.

8.7 Finally, one must remember that agencies like CIDA are only involved in private sector development because it is expected that a strong private sector will generate economic growth which will in turn create sustainable improvement in the lives of the poor and marginalized people of the world. Unlike the stock market, agencies like CIDA seek economic development *and* equity. With all its failings, the co-operative is the only private sector model that integrates this concern in its mission. The co-operative tackles head-on the problem of balancing economic and social imperatives. The difficulties experienced in applying the co-op model at the community level are precisely those encountered by any society that honestly struggles to balance economic growth and social justice. Co-operatives have not solved the problem, but they can – and do – provide a framework within which people struggle with the problem as it affects their lives. Viable, member-

based co-operatives – in both developed and developing countries – are by vocation socially responsible private sector actors.

Equitable benefits for women from development

8.8 The values of self-help, mutual responsibility, equality and equity that are fundamental to the co-operative identity have the potential to facilitate women's economic and social empowerment. A recent review of gender issues in co-operatives in Asia,¹⁰ however, has documented the fact that co-operatives are not immune to the pervasive influence of traditional social attitudes that hinder the participation of women. The review cites research conducted by the Asian Women in Development Co-operative Forum (AWCF) which found that although women comprise the majority of co-operative membership in the region (which is an accomplishment in se), their participation in the leadership and decision-making bodies of co-operatives is low; while, women constitute more than 60% of the active membership, thus represent less than 10% of the co-op managers or board members. The ACWF research invites co-operatives to examine with close attention power structures, the gender division of labour and other gender issues.”

8.9 The conclusions of such focused studies are evidence that despite its avowed principles, a co-operative does not automatically offer women more economic and social space. But co-operatives – by their principles – can be held to a higher standard. The success of co-ops is not only measured in terms of total profits, but also by the extent to which the benefits of co-operative membership are available to all members, not the least of whom women. Many of the lessons about gender and development apply in a co-operative setting. Policies and action must begin at the village/primary level, working to educate communities as a whole on gender issues. In the case of development pursued through the use of the co-operative model, this means promoting women as co-owners, directors, and managers of co-ops, and not just beneficiaries, or worse, silent members. In some cases, this means creating women-only co-ops. The positive results of such an experience in the Philippines show that a co-op setting can be empowering for women when freed of patterns of male dominance.

Democracy and good governance

8.10 Discussions of the potential contribution of co-operatives to the development of democracy and good governance generally focus on the democratic governance structure of co-ops. In a number of Asian countries, member-based co-ops (as opposed to government-sponsored co-ops) provide the only experience of democratic decision-making available to people. Even in such recently democratic countries as Korea, a majority of the delegates elected to the first national assembly were co-op members, acculturated to the give-and-take of democratic debate, the right of majority rule, and the respect of minority opinion.

¹⁰ *Gender Issues in Co-operatives in Asia*. CIDA Asia Branch. 1997.



8.11 Experience has shown, however, that democratic process in co-operatives is far from perfect. Although all members have the opportunity to develop the skills and aptitudes for leadership, and all have the right to stand for election, a “natural elite” often develops and the emergence of a governing clique is not unknown. Some criticize the co-op model for the weaknesses inherent in nearly all-democratic process. Even in countries with long democratic traditions like Canada, voter turnout is often no little more than half, the pool of possible candidates is disappointingly shallow, and the same faces appear far too regularly on the podium. Canadian co-operative leaders from one end of the country to the other confirm what one may call the “10/10 phenomenon”: 10% of the co-op membership will show up for the annual general meeting; perhaps 10% of them will be willing to serve in some elected capacity. This means that even in a strong co-operative movement with a long history of both struggle and success, approximately 10% of the membership is regularly involved with governance activities, and only 1% actually governs.

8.12 What may be most important in co-operatives – like other democratic organizations and institutions – is not the proportion of members who participate at any one time, but the right to participate when one wishes. Co-operatives – in both Canada and in developing countries – can/must encourage their members to exercise their democratic rights by providing information, opening channels of dialogue between management and members, and educating members on the issues facing the co-op. CIDA and its co-operative partners need to be vigilant that the co-operatives they support provide on-going member education. It is not a luxury, but the best insurance that co-ops will continue to offer genuine opportunities for democratic participation.

A critical voice

“While such a governance structure is ideologically attractive, there is good evidence to suggest that an effectively democratic governance structure is not ideally suited to a financial institution. Efficient micro-finance usually requires rigorous adherence to standardised procedures. The best MFIs are usually ‘pyramidal’ in their governance. Orders come down from the top. Efficient MFIs empower their clients by giving them access to good financial services – which means access to *choices* – rather than involving them directly in the design and governance of the institutions. Credit unions can do good micro-finance. However, when one looks closely at the credit unions in a country, it often turns out that the best of them do not have much active client participation in their governance.”

(Rosenberg, Richard. *Independent Review of UNCDF Micro-finance Activities*. UNCDF Programme Evaluation. 1998.)

8.13 CIDA and its co-operative partners need to maintain an on-going dialogue with governments on the proper relationship between government and the co-op sector. The biennial Asia-Pacific Co-operative Ministers’ Conference is an important venue for such dialogue. Through their participation in ICA, Canadian co-operatives have an opportunity to make their views known. The efforts in this sector are done in particular towards reinforcing the private character of co-operatives, focusing government’s role to one of supervision rather than one of promotion or the use of co-operatives as a political conduit for government actions and programs. CIDA should use the opportunities provided by its bilateral co-op development projects to discuss this critical governance issue with its developing country partners.

8.14 Finally, the current financial crisis in Asia brings center stage the significant need to strengthen the supervision and surveillance functions in financial institutions in many Asian countries. With this issue, governance concerns join with those of private sector development to argue for a capacity development approach to financial stability and security. CCA and DID are working to introduce sound financial management systems and procedures at all co-operatives’ levels. They put much emphasis on developing efficient surveillance and security systems as well as structure to strengthen their basis (e.g. guarantee funds, control financial facilities). In nearly all cases, they are working in support of enabling legislation. The goal is the orderly development of financial co-operatives, while guaranteeing the security of deposits and the soundness of investment portfolios.

Basic human needs / poverty reduction

8.15 It is the concern with financial and organizational viability in co-ops that brings them under fire for an imputed preoccupation with “creating institutions rather than delivering goods and services”. The most recent and damning of such criticism has come in

the wake of international commitments to reach 100 million of the world's poorest families with financial and business services by the year 2005. The argument is by now familiar: a co-op is a club for the middle and working classes; entrance barriers –in share capital and/or participation – exclude the poor; preoccupation with showing a surplus makes co-ops ignore the poorest; successful co-ops are just another business; co-op democracy is a mask for control by the local elite, etc.

8.16 Part of this argument is true, but much of it glosses over the complexity of poverty and the co-operative approach to sustainable poverty reduction. Because they are created around an economic opportunity and depend on the participation of their members – through patronage, voluntary service, etc. – co-ops need members who bring something to the collective enterprise. The experience in Canada and elsewhere in both developed and developing worlds shows that even the very poor can participate meaningfully in co-ops, but that those who have nothing – truly the poorest of the poor – are very difficult to involve directly in viable co-operatives. Such persons rather require direct support, at least temporarily, to develop the personal and material resources necessary to participate in the economic and social life of their communities. Co-ops everywhere have generally supported such benevolent actions, with human, material and financial resources.

8.17 But co-op leaders interviewed for this study make no pretence of their inability to reach the poorest in their communities with the products and services they provide. In fact, many co-op leaders assert that it is not in the mandate of co-ops – in their duality as economic *and* social enterprises – to serve the poorest *directly*. Co-ops are not principally relief agencies, they reiterate, but collective enterprises which serve the interests of their *community*, including the poorest. They do so by providing the broadest possible access to goods and services in an organisational framework committed to equity, equality, self-help and self-responsibility (...) and viability.

“A key element to sustained poverty reduction is enabling the poor to secure sustainable livelihoods...» It is critical that Canada work with partners who will be present to work on the transitional and rehabilitative needs, beyond the immediate relief requirements.”

(*CIDA's Policy on Poverty Reduction*, 1996)

8.18 A review of micro-credit programs in Asia¹¹ found that the best micro-credit programs combine financial and social perspectives. It concluded that “without a social ethic the services will not reach marginal income groups, and without a financial perspective the services will likely deteriorate and disappear.” *CIDA's Policy on Poverty Reduction* asserts that “poverty results from the lack of human, physical and financial capital needed to sustain livelihoods, and from inequities in access to, control of, and benefits from political, social and economic resources(...) Poverty reduction, then, is a process by which the causes of deprivation and inequity are addressed.”

¹¹ Robert Mitchell, *CIDA Support to Micro-credit Programs in Asia: Lessons and Guidelines for Future Programming*, 1997. This study found that even micro-credit programs specifically designed to reach the poorest of the poor fail to reach approximately the lowest quartile.

8.19 Rather than “targeting” the poor, co-operatives address the causes of deprivation and inequity by building community-based enterprises as an alternative to the structures of economic dependence. By providing an opportunity for the poor to participate in collective economic and social action – as member clients and member owners, through member education and information – co-operatives offer an alternative to the relationships of exploitation and exclusion.

In Quebec, 90% of the persons on social assistance who deal with the formal financial system do so through a Caisse Populaire. In the Philippines, 45% of NATCCO affiliates operate in municipalities in the two lowest categories classified by average income. Yet the Return on Equity of the average NATCCO affiliate is at par with the after-tax performance of the top Philippine corporations.¹²

8.20 Minimalist credit, model replications, and project-delivered financial services do reach many of the poor rapidly. In that, they achieve results faster than if one were to build capacity in local communities to provide the same service. Co-ops do take time and effort to create, patience and nurturing to see grow, surveillance and monitoring to grow soundly. It is admittedly much easier for development agencies to deliver services directly than to build community-based organizations to do so. But that approach, once so prevalent in development circles, has been rejected as an unsustainable quick fix for primary health, education, water, and so many other issues. “Participation”, “social mobilization” and “community development” are becoming the bye-words in these areas. Should it not give us pause that the direct interventionist approach that proved inadequate as a sustainable response for basic human needs should surface in micro-finance and poverty reduction in the name of reaching the poorest fast?

8.21 Canadian experience demonstrates that collective solidarity is one of the most successful strategies for addressing the causes of poverty and inequity. “Changes [in favour of collective solidarity] do not take place automatically, and require concerted attention to awareness-raising and mobilisation as a strategic choice(...) Some are concerned that if micro-credit is promoted alone, programming will end up promoting individualism, cloning minimalist credit models, and neglecting the kind of social mobilisation that has made organizations like the Self-Employed Women’s Association (SEWA) so successful.”¹³

One of the ways co-operatives can act in favour of the poor is to develop partnerships with community groups whose vocation is to work with the poor. But perhaps the most important contribution of co-operatives to improving the lot of the poorest of the poor may be in *building viable, permeable enterprises that have the ethic, will, organisational structures, human capacity and economic vitality to take up the cause of the poorest within their own communities.*

¹² Center for Community Services. *Profile and Performance of NATCCO Affiliates*, Volume 1, 1997.

¹³ Norman Mac Isaac, *Role of Microcredit in Poverty Reduction and Promoting Gender Equity*. South Asia Partnership Canada, 1997. SEWA is a combination trade union and co-operative for self-employed women in India, based on a Gandhian philosophy of activism.

8.22 Organisation building is not a frill. The study of CIDA's support to micro-credit programs in Asia cited previously identified a *horizontal organisational and decision-making structure* as one of the characteristics of the most successful micro-credit organizations. "...By definition, people owning and managing their own organisation are more empowered than those who are beneficiaries of someone else's organisation."¹⁴

8.23 Its purpose is "to unite and involve its members in an economic and social community to provide countervailing market power and access to economic and social resources that as individuals the membership would not be able to accumulate for themselves."¹⁵

8.24 Some of the most exciting growth in the Canadian co-operative sector can be found in innovative models of collective effort among members of different classes. The *co-operatives de solidarité* in Quebec, for example, bring together caregivers (among the most poorly paid members of the work force), persons in need of care, and 'friends of the enterprise' (family members, benefactors, supporting agencies, others). They share a commitment to quality care at affordable prices, with those on the front line of care giving earning a decent living.

8.25 In developing countries, co-ops are collective enterprises built around a basic membership of the less poor and the emerging middle class. This is a distinct advantage for the poor. The co-op make available essential products and services provided locally at a reasonable prices. Because the economic gain is redistributed in the community – in some combination of lower prices, accessibility, and patronage refunds – there is a broader sharing of wealth and well being.

8.26 CIDA's definition of *poverty reduction* insists that efforts to reduce poverty focus on "improving the social, economic and environmental conditions of the poor, and their access to decision-making". The Canadian approach to poverty reduction believes that the best way to contribute to that objective through MFD/MED is less by direct intervention in the delivery of credit, than through a number of more immediate objectives: broadening and strengthening the financial sector and the access of the poor to sustainable financial services; cultivating entrepreneurship; providing a means of social and economic empowerment, particularly for women; and nurturing greater community participation.¹⁶ Indeed, there is justifiable concern that donor-driven, agency-delivered MFD/MED initiatives may fail to take root in the targeted communities. It is important that we examine the co-operative model in the light of what we are learning about MFD/MED.

¹⁴ Mitchel, op. cit. Citing Carr, Marilyn et al. *Spelling Out: Women's Economic Empowerment in South Asia*. London, IT Publications, 1996.

¹⁵ Peter Davis. "Co-operative Identity and Co-operative Management" in *Report of the Special Workshop on the ICA Co-operative Identity Statement – From Theory to Practice*, ICA, 1997.

¹⁶ *Towards Self-Sufficiency for the Poor - CIDA's Microfinance and Microenterprise Development Institutional Action Plan 1998-2000*. CIDA, 1998.



8.27 There is a growing need to develop in micro-credit organizations, the credit and financial management skills necessary to assure the sustainability of micro-credit programs. This has come about for three reasons: internal financial information systems have proved inadequate; loan portfolios have increased to the point that they represent the organization's major financial asset; and loan operations have reached the self-financing threshold.

8.28 The study of micro-credit programs in Asia cited previously found that in NGO-delivered programs there is too often "...little interaction with the private sector – banks, manufacturing, marketing or export firms...This results in some isolation from the larger orthodox elements of the economy ... Some of the organizations involved have established their own production or marketing units to buy and resell the products of low income clientele, or to manufacture inputs for their micro-enterprises." The 'clientele' are economically more active thanks to micro-credit, but they apparently have not increased their level of participation in the economy, nor their level of control over the factors that limit their economic advancement. CIDA's support for micro-credit programs in Asia has also been characterized by "little if any open advocacy by [the organizations studied] to address and change profound problems in the financial sector."

8.29 In this regard, the co-op sector may be unique in Canada in possessing the range of skills required to develop credit and financial skills in its partner organizations. These skills have been developed as Canadian financial co-operatives have evolved from single community-based units, to regional networks, to financial institutions operating on an international scale. These skills include human resource management, member-centered product and service development, and portfolio management as practiced in the local *caisse* or credit union, as well as the specialized skills required to mount central financial facilities and inter-lending operations, insurance schemes, risk and financial policy analysis. In short, Canadian financial co-operative systems have the expertise to advise and accompany Asian micro-credit organizations in the transition to better financial management.

9. THE WAY FORWARD

9.1 The Montreal Co-operative Round Table brought together some 40 Canadian and Asian co-operative leaders and CIDA representatives to discuss the impact and future role of co-operatives in social and economic development. The event was the culmination of a broad consultative process in the co-operative and development communities extending over more than five months. A similar exercise had been held two weeks earlier in Seoul, involving representatives of a number of national co-operative movements, government representatives and lending agencies in Asia. The cross participation of ten persons in the two events contributed to a better appreciation of both the similarities and differences between Canadian and Asian perspectives on significant issues for co-operatives entering the 21st century. Accelerating social, economic, and political change in both Canada and Asia stimulated Round Table discussion of the conditions and actions that favor the emergence, independence – and viability – of co-operative enterprises.

Expanding the impact of co-operatives in Asia

9.2 Co-ops should raise their general social consciousness by institutionalizing dialogue with members and awareness to the well being of their community. This will necessarily involve co-ops in reaching out to new groups (youth, women, aged, needy), offering innovative services to the members and community (e.g. rural postal services in Sri Lanka). At the same time, co-ops also need to emphasize that co-operatives are not NGOs, but private enterprises owned and managed by member users.

9.3 If co-ops are involved with government, they should do so only for the advantage of the membership and community they serve. Concerning the ‘poorest of the poor’, co-ops provide economic and social space for the poor and expand membership to include low-income groups, but *poverty alleviation* is a responsibility of the government, not of co-ops. Co-ops can help the poor by helping the government to deliver social services on mutually agreed terms and conditions. But co-ops must insist that government consider them *ally*, and not an agent.

9.4 It is essential to enhance the effectiveness of Asian co-operative leaders. More effective education in co-operative governance should encourage them to become place setters in advancing co-op principles. Co-ops should be assisted to develop *value-based management*, with parameters and criteria for accountability and grievance redress system co-ops for the benefit of members and other stakeholders.

9.5 Co-ops should develop ways to evaluate co-operative performance, including measures of success in social/community impact. This will involve applying clear *economic* (gross asset formation, return on investment, market share) and *social* (self-reliance, autonomy, response to community needs) standards for the operations and management of co-operatives.

Taking the initiative for co-operative development

9.6 There is need to push the exploration of new options for the co-op model. In Canada, this should build on recent innovations such as partnering with the larger milieu (solidarity co-ops; new generation co-ops), providing alternatives to public services (growth in health care co-ops; joint CCA-CCC study initiative), pooling equipment and labor (agricultural machinery, passenger vehicles, timely human resources), and strengthening co-ops' capital base without endangering democratic principles (SaskPool venturing into the public financial market; building up of multi-tiered co-op financial systems). The co-op model is proving effective in combining training, economic reinsertion and a socially responsible business activity.

9.7 In Asia, financial co-ops are opening their membership to solidarity groups (establishing 'village banks' associated with a local financial co-op), and transforming solidarity groups into financial co-ops (particularly in India and Bangladesh). The co-op model is attracting NGOs seeking an enterprise form compatible with their community-building interests. Aboriginal peoples, youth, women and the marginalized in rapidly transforming economies are all prime target populations for future co-op development in Asia.

9.8 The positive examples of co-operation among co-ops need to be multiplied and expanded. Financial co-ops play an important role financing viable co-op enterprises (*Desjardins' Fond d'investissement coopératif*, for example); these efforts should continue and increase. The designation of resources and representatives to undertake co-op development in the name of the co-op movement (Quebec's *co-operatives de développement régional-CDR*, VanCity's Regional Development Commission, community development co-ops elsewhere in Canada) is a positive step in inter-co-operative collaboration; this should continue and expand. Collaboration among CCA, CCC and the Co-operatives Secretariat to produce a "Co-op business start-up kit" is a positive contribution to making the model more accessible to potential co-operators.

9.9 ICA is encouraged to continue and expand its sponsorship of forums for its members, particularly those in ASEAN countries. The involvement of more advanced financial co-operative systems in the development of financial co-ops (Korea to Mongolia, Hong Kong to China) should continue and expand. In the fallout of the financial crisis in Asia, it is opportune to put forward the co-operative model of locally owned, democratically controlled and prudential financial systems.

9.10 CCA's effort to expand its web-based information exchange infrastructure is a positive initiative following a recommendation of the *Co-operative Enterprise Development Action Plan*. It will include descriptions of new co-op models and tools, case studies, opportunities for exchange (human resources, commercial, other) and co-op development initiatives. Collaboration among Canadian co-ops and universities throughout the country would be a logical step a world-wide a 'co-op infonet' with sufficient mass to influence the direction of co-op development. Such globe-circling intelligence is essential if co-ops are to compete with multinationals.

9.11 For its part, ICA is establishing a regional information network to promote commercial exchanges among Asian co-ops and between Asian co-ops and the rest of the world. Linking up the CCA and ICA co-op infonets is a significant opportunity. Every effort must be made to assure that the information available on the co-op infonet be pertinent and sufficiently precise to encourage business contacts.

Expanding ties among Canadian and Asian Co-operatives

9.12 Asian co-op partners could benefit from the technical expertise and experience of Canadian co-ops in the areas of agro-food, banking technology, professionalizing management, the creation of sustainable employment, the provision of social services, human resource development for improved governance, and collaboration with other groups for poverty reduction. The financial and social crises in Asia may open opportunities for the reform of government-led co-ops into true member-driven co-ops. Canadian experience has much to offer to the reform of co-op legal frameworks and democratic decision-making.

9.13 Canadian co-ops would benefit from Asian co-operators acute understanding of the co-operative as social actor. Their experience in adapting the co-op message to many different ethnic groups and marginal populations would be invaluable to the evolution of Canadian co-op models. Asian co-ops also have a wealth of experience in adapting the co-op model to the needs of women, while Canadian co-op experience in this area is limited. Increased linkages among universities and co-op management institutes in Canada and Asia (exchange of research, case studies and educational programs) would help identify areas for complementary and /or joint action.

9.14 CIDA generally relies on its partners in the Canadian co-operative movement to orient the use of Canadian spending on co-operative development, within the framework of CIDA's overall priorities and strategic program objectives in a particular region or country. Despite this solid partnership, the co-operative model would be of greater service to Canada's development priorities if CIDA personnel were better informed on the actual work of co-ops. A suggested first step in this direction would be a "Co-operative Capability Statement" of what co-ops do and why it's different from other development approaches.

9.15 While *DID* and CCA may have competed for development assistance funding in the past, the two agencies would convey a more coherent co-operative message and provide more effective support to co-operative development if they were to collaborate in joint co-operative development initiatives, there where they have joint interests. A number of specific ideas were advanced:

- ✓ a common effort to market the Canadian co-operative expertise in micro-finance;
- ✓ co-ordination – together with partners – for concerted work on legislative and regulatory frameworks;
- ✓ sharing co-op networks, both existing contacts and the effort to develop integrated information structures;

- ✓ expanded collaboration to follow up on the opportunities coming out of the Round Tables.

9.16 New areas for dialogue have been opened through the consultative process. A full exploration of the issues in a spirit of partnership is bound to result in the more effective use of the co-op model to achieve equitable economic growth.

- ✓ Canadian co-op organizations and their Asian partners need to discuss frankly their successes and failures, and how to improve their business relations.
- ✓ Canadian co-op organizations and CIDA need to follow-up on the consultative process to explore the opportunities identified for more effective use of the co-op as a development tool.

APPENDICES

Appendix A

Comparative Financial Performance of Canadian Co-operatives, Investor-owned Firms and Industry Norms

APPENDIX A

COMPARATIVE FINANCIAL PERFORMANCE OF CANADIAN CO-OPERATIVES, INVESTOR-OWNED FIRMS AND INDUSTRY NORMS

(Harris, Andrea and Fulton, Murray. Centre for the Study of Co-operatives, University of Saskatchewan, 1995.)

This study set out to empirically examine the financial performance of Canadian co-operatives and to compare this performance to that of investor-owned firms (IOF) and industry norms. Its methodology focused on a number of accounting ratios and growth rates which provide insight into the *liquidity, profitability, productivity, leverage, and growth* of a firm. Co-operatives were compared with IOFs in the same sectors (retail grocery, fruit & vegetable, dairy, feed, fish, grain handling), in two size categories (>\$250,000<\$1M; >\$1M), and over identical time periods.

In presenting their analysis, the authors remind us of co-operative theory suggesting that both the positive and negative aspects of user-ownership and control will affect the business decisions and strategies of a co-operative firm. “A co-operative objective to increase the welfare of its members may lead to lower profit levels and higher liquidity ratios than IOF competitors or the industry norm. Moral hazard and horizon problems may cause operational inefficiencies and have a negative impact on productivity ratios. Low levels of member investment may cause a co-operative to be more highly leveraged. All of these factors can combine to have a negative impact upon the relative growth of co-operative firms.”

A number of these expected characteristics were borne out by the findings, while others were not.

- ✓ *Liquidity* – Co-operatives operating in all of the sectors analysed appear more liquid in the short-run than other firms in their industry. The results of industry norm comparisons show co-ops having higher than average current and quick ratios in each sector. These results appear to support other work that suggests *co-operatives are more risk averse than other forms of enterprise and are therefore more likely to adopt business strategies which maintain a stable short-term debt position.*
- ✓ *Profitability* – Although co-operatives may not theoretically hold profit maximization as their primary objective, the study could find “*little evidence that the lack of a profit priority makes a significant impact on co-operatives’ reported rates of return*”. Large co-operatives show rates of return that are similar to those of their IOF competitors in fruit & vegetable, feed, and grain handling sectors. Co-ops show higher rates of return than their IOF competitors in retail grocery and fish sectors.
- ✓ *Productivity* – With the exception of the retail grocery sector, *co-operatives appear to be more productive than what is considered the norm for their sector.* Co-operatives operating in the feed, fish, fruit & vegetable, and dairy sectors generally report higher asset turnover ratios than the industry norm. Sales-to-total asset and sales-to-inventory ratios are generally similar for co-ops and their IOF counterparts. Feed, fish and grain handling co-operatives also report higher sales-to-fixed assets ratios than their IOF competitors. The authors suggest that this may be due to operational efficiencies, but may also “*indicate a lack of capital investment on behalf of co-operatives*”. Retail grocery co-operatives generally show lower productivity ratios than industry norms and their competitors. “*With the exception of the dairy and retail grocery industry, co-operatives in the remaining sectors all reported lower levels of accounts receivable as a portion of sales when compared to industry norms, suggesting greater efficiency in credit collection.*”
- ✓ *Leverage* – “*The majority of co-operative firms analyzed do not appear to be more leveraged or less financially secure in the long-run than other firms operating in the same industry.*” Fruit &

vegetable co-ops are, on the other hand, more leveraged than IOF processors and wholesalers. The authors note that “leverage ratios do not reveal the complete debt structure of co-operatives ... [which] frequently rely on retained earnings as a means of generating additional capital. Retained earnings are included in total equity figures even though they are, in some aspects, similar to debt in that they must be repaid to members at a future date.”

- ✓ *Growth* – Data indicates that sales and asset growth rates in co-operatives in retail grocery, fruit & vegetable, fish, and grain handling are comparable to IOF, while feed co-ops report lower sales growth but a similar rate of assets growth. The authors caution that extremely high variances in the growth rates amongst the co-operative and IOFs make it *difficult to make conclusive statements regarding differences between co-operatives and IOFs.*

Appendix B

CIDA-NGO Funding for Co-operative Projects

APPENDIX B

NGO DIVISION FUNDING TO CO-OPERATIVE DEVELOPMENT

Since 1984, CIDA's NGO Division has funded 139 projects classified under various sectors of co-operative activity. Although it is difficult to draw definitive conclusions without studying project documents, these projects involve co-operatives in a number of different ways. Many intend to strengthen the organization through technical assistance, systems development, human resource development and technology transfer. Still others appear to use co-operatives as a delivery mechanism through which to reach particular target groups (women, youth, children, marginal groups) or strengthen communities (community education, civil society development, etc.). A number of the largest projects classified as "co-operative" appear to involve co-ops as part of a more general approach to economic development, often as part of multinational programming.

SECTOR	NB OF PROJECTS	AMOUNTS
Agriculture	55	\$ 7,264,569
Agricultural credit (through co-ops)	14	1,065,261
Financial services	14	5,782,284
Fishery / fishery credit	11	991,920
Housing	13	826,000
Education	9	802,152
Marketing	7	746,454
Health services	4	145,176
Transport	5	141,602
Small manufacturing	5	38,194
Forestry	2	to review committee
	137	\$ 17,803,612

CIDA has financed projects proposed by more than thirty Canadian organizations. Generally similar numbers of projects (and accompanying budgets) have been carried out by *relief organizations* (World Relief, World Vision, Save a Family Plan, etc.), *secular NGOs* (Oxfam-Canada, Oxfam-Quebec, Interpares, Horizon of Friendship, etc.), and *church-based NGOs* (not including the Mennonite Economic Development Agency-MEDA). Four organizations account for 62.5% of disbursed amounts (\$11.16M): Save a Family Plan, Oxfam-Canada, MEDA, and CCA. Projects conducted by these four organizations also tend to be among the largest (in dollar terms). Interestingly, more funding for projects with co-operatives was channeled through relief organizations than through co-operative organizations. Co-operative organizations overall carried out projects worth 13% of the total disbursements (\$2,357,965). MEDA has been the largest single partner, with 17% of total disbursements (\$3,161,362).

Approximately 24 projects, worth \$4,990,800 are actually operating. This means that more than one-fourth (28%) of total NGO Division funding since 1984 for work with co-operatives supports current programming.

An analysis of NGO Division funding of co-operative projects over time reveals three distinct periods.

- ✓ From its beginning in 1984 to 1991-1992, yearly commitments remained relatively stable, averaging over \$1.3 million per year, in a range of \$832,963 (1990-91) to \$1,956,561 (1988-89). There were few large projects, with only one project over \$1M (\$1.37M to MEDA-small enterprise, 1985-86). Nevertheless, a tendency toward larger projects can be seen from 1988 on. This initially meant increased total approved disbursements, and eventually fewer projects.

The major focus during this period was agriculture co-ops, with approximately half of the projects and funding for the period going to that end. Nevertheless, there appears to have been an openness to applying the co-op model to a variety of issues, with large majority of the total projects involving housing, health, education, transport and fisheries co-operatives funded between 1984 and 1992.

- ✓ Over the period 1991 to 1996, there was a radical decrease in the number of co-operative projects funded, with the notable exception of two major projects (\$1.30M to CCA-savings/credit, 1991-92; \$1.74M to Save A Family Plan-small enterprise, 1994-1995). It is perhaps not incidental that this period also corresponds with the deepest reductions in ODA spending.
- ✓ Beginning in 1996-97, the number of projects involving co-operatives begins to rise, while maintaining the tendency toward larger projects. The total of projects approved in a fiscal year appears to have returned to pre-1992 levels (approximately \$1.3M), with the notable exception of 1997-1998. That year saw a significant focus on savings/credit co-operatives (9 of 13 projects approved), including \$1.94M project by Save A Family.
- ✓ It is clear that whenever a \$1M project has been approved, the average value of other projects approved during the year tends to drop (fiscal years 1985-1986, 1991-1992, 1994-1995), unless the overall amount approved for work with co-operatives increases (fiscal year 1997-1998).

CIDA NGO Division Co-operative Projects – 1984-1998

Fiscal year	Number of projects	Total commitment / disbursement	Average project budget * excluding projects >\$1M
1984-1985	12	\$ 905,554	\$ 75,463
1985-1986	12	\$ 1,532,060	\$ 14,830*
1986-1987	19	\$ 1,022,906	\$ 53,838
1987-1988	19	\$ 1,135,558	\$ 59,766
1988-1989	18	\$ 1,956,561	\$ 108,684
1989-1990	18	\$1,650,714	\$ 91,706
1990-1991	6	\$ 832,963	\$ 104,120
1991-1992	3	\$ 1,616,024	\$ 31,556*
1992-1993	1	\$ 24,500	\$ 24,500
1993-1994	0	0	0
1994-1995	1	\$ 1,742,980	0*
1995-1996	0	0	0
1996-1997	8	\$ 1,582,040	\$ 197,755
1997-1998	13	\$ 3,121,568	\$ 98,130*
1998-1999	5	\$ 680,184	\$ 136,036

The strategic orientations of CIDA NGO Division funding of projects involving co-operatives are likely determined by the Division's mandate as a responsive mechanism for initiatives originating in the Canadian NGO community. The relative importance of agriculture sector accurately reflects the role of agricultural co-operatives in rural communities in developing countries, and the sensitivity of Canadian NGOs to the interests of supporting civil society organizations. On the other hand, the recent concentration on savings/credit co-operatives (projects worth \$2.73M approved in 1997-98) may be attributed to CIDA's commitment to the objectives established during the first Micro-credit Summit in 1997. Interestingly, more NGO Division funding for projects with co-operatives has been channeled through relief organizations than through co-operative organizations.

Appendix C

CCA Experience with Asian Co-operatives

APPENDIX C

OVERVIEW OF CCA EXPERIENCE WITH ASIAN CO-OPERATIVES

The value and limits of a co-operative model : the development of India's oilseeds industry
(Henry Rempel et al, *India Oilseeds Development Project Phase II - Mid-term Operational Review*. CCA, 1995.)

In 1977, the Government of India requested the National Dairy Development Board (NDDB) to replicate in the edible oils industry its highly successful 'Anand model' of milk production, processing and marketing – a vertically integrated, farmer owned, cooperative structure with a significant presence in the market. Through Phase I of the 'Oilseeds Project' (1980-1987), Canada contributed \$79 million in Canadian canola oil and \$1.5 million in technical assistance. Phase II (1987-1993, extended twice to 1997) saw an additional Canadian contribution of \$89 million in canola oil and \$7.2 million in technical assistance. The goal of both phases was to contribute to the increase in the production of oilseed crops, to stabilize edible oil supplies and prices, and increase the income of oilseed farmers. Its purpose was to support the establishment of an integrated oilseeds production, processing and marketing system within a cooperative framework. The financing mechanism for both phases was a Counterpart Fund created by the monetization of Canadian canola oil. CCA was contracted by CIDA to monitor and evaluate the projects. After a series of project restructurings, CCA became responsible for providing technical assistance to NDDB, under a Contribution Agreement effective from 1994 to 1997.

Canada's involvement in these projects has contributed to the formation of some 1,116 co-operative societies, with more than 235,000 members in 5,665 villages. This network has provided reliable market information to farmers and has become an alternative to the trader for the purchase of oilseeds. Village-level co-operatives have served a vital role in both increasing farm incomes from oilseed production and increasing the overall supply of oilseeds produced. Spurred on by strong, stable purchase prices, farmers have taken advantage of yield improving technology introduced during Phase I and increased land use for oilseed crops. The NDDB has processing plants spread throughout the country that enables it to put a high quality product on the national market with relatively low transportation costs. Today, India is basically self-sufficient in edible oils, with a full quality range of local products available.

The sustainability of these successes is in question, however. First, there is excess processing capacity in the oilseeds processing industry at this time, making the efficiency and capital adequacy of NDDB's processing network critical issues in its ability to maintain a national brand of edible oil. More importantly, the village-level co-operative societies have failed to serve as effective oilseeds procurement agents for the processing plants. Traders have responded to competition from co-operatives with on-farm-collection, sacking, immediate payment, provision of farm inputs, provision of credit for farm inputs, plus technical assistance at the farm level. The co-operative network has not responded with similar services. Farmers have not developed a sense of belonging nor do they give full loyalty to their village-level co-operatives and the network. Farmers are not committed to selling their oilseeds to co-operative, making it impossible for the co-operatives to supply the network's processing plants. Plants are turning to direct oilseed purchase from farmers and traders, putting the village-level co-operatives in jeopardy. If they cease to exist, however, the competitive check against trader exploitation will be gone. Small farmers, especially those located far from processing plants, will suffer most, but the stabilizing effect of a strong co-operative network will negatively affect most producers.

Analysts have come to realize that the Anand model is not appropriate to the oilseeds industry in that oilseeds do not require an elaborate system of collection, handling and processing. Some restructuring of co-operative processing capacity may be necessary, with the least efficient plants closed or sold off. Attention may also have to be focused on the strongest of the village-level co-operatives, broadening their

service package in an effort to strengthen member loyalty. Already where the recognized local leaders are active as leaders in the co-operative societies and these societies are providing services in addition to purchasing oilseeds from the members, the co-operatives seem to be a thriving institution in the community with promise of on-going success.

Efforts to increase the participation of and benefits to women have had mixed success. The inclusion of women on the project's co-operative development teams appears to have had beneficial effects, both in the recruitment of women as members and in the involvement of women in project activities. However, the absence of women from all levels of co-operative management committees and Boards is striking.

Partnerships in sustainable community development : Canadian co-ops and the SANASA movement in Sri Lanka

Although labor exchange and other forms of co-operation have been part of village life in Sri Lanka for centuries, the formal co-operative movement was introduced by British rulers in the early 20th century. From its origins, the movement has been initiated and controlled by the government through the Department of Co-operatives Development.

Village-level SANASA (the Sinhalese acronym for thrift and credit co-operative societies) were a predominant co-operative form for decades in Sri Lanka. When government attention turned to the promotion of other forms, SANASA were left weak but largely free of political interference. They continued to develop on the basis of self-help, mutual trust and a true co-operative spirit. A revitalization effort began in 1978, with the objective of forging SANASA into a truly democratic and self-directed grassroots movement that mobilized and reinvested local savings, developed organizational leadership, and contributed to the elimination of poverty. The movement grew from 1,320 primaries with some 26,000 members in 1980, to more than 6,800 primaries and nearly 700,000 members in 1991.

In addition to credit and savings functions, SANASA provide extensive education and training for members and staff, various community development programs, and support for income generation. Women, youth and poorer community members have been particularly encouraged to join. SANASA are equally present in Sinhalese, Tamil and Muslim communities. SANASA is the only co-operative in Sri Lanka which has continuously operated as a free enterprise people-based movement.

CCA became involved with the SANASA movement in the mid-1980s through a number of Block Fund projects. These included a substantial initiative to promote community savings and productive lending among rural poor begun in 1986. The successful completion of this project convinced SANASA and CCA to convert the conventional approach to credit union development in Sri Lanka into a holistic people-based community development program driven by local values, norms and beliefs, as well as by the universal co-operative values. The Sri Lanka Credit Union Development Assistance Program (SRICUDAP, 1991-1996) focused on establishing a sustainable training program for movement officers and members. Using the expertise of the Co-operative College of Canada, SRICUDAP promoted an alternative development methodology specifically geared to good governance and sustainable development through co-operatives. This policy framework is based on the strong mutual trust created by the interaction between Canadian and Sri Lankan co-operative leaders.

Faced with the movement's inability to influence the government's poverty reduction and rural development agendas, CCA worked with SANASA to broaden its international partnership network. As many as eleven foreign development agencies were involved at some point with SANASA during SRICUDAP. Through these efforts, SANASA is now active in international co-operative and NGO

networks such as the Asian Confederation of Credit Unions (ACCU), the International Co-operative Alliance (ICA), the World Council of Credit Unions (WOCCU), the Asia Pacific Rural Area Credit Association (APRACA) and the Organization for Economic Co-operation and Development Secretariat (OECD).

With such broad donor support, it is difficult to measure the specific impact of Canadian involvement with SANASA. Nevertheless, average annual growth in membership was 30% during SRICUDAP, with average annual growth in assets of 15%. More than one-third of the SANASA have upgraded themselves to 'financial service centers' serving a full range of their members financial service needs. The SRICUDAP mid-term evaluation concluded that "SANASA has become the major financial institution providing savings and credit facilities to the poor ... [making] extraordinary progress toward addressing the underlying political, social and economic causes of poverty among the urban and rural poor."

One sure impact of SRICUDAP is the vibrant partnership between the Canadian and Sri Lankan co-operative movements where both parties gain. Canadian co-operatives in the Atlantic Provinces, for example, have been studying the SANASA approach to co-operative community economic development. New Brunswick co-ops have already formed a Community Economic Development Enterprise similar to the SANASA 'Cluster' that inspires, educates and co-ordinates local initiatives. In another instance, a visit by SANASA's Chairman to low income communities in Winnipeg has prompted local credit unions and housing co-operatives to work with First Nation and Metis communities to apply international development experience to Canadian development issues.

Reaching the poorest : Co-ops respond to the opportunities of Doi Moi
(James Lowe, *Agriculture Co-operative Development Project Evaluation*. CCA, 1997.)

One of the many faces of Vietnam's policy for renewal, *Doi Moi*, is liberalization in the economic sphere. At the grassroots this has meant that millions of farmers have been allocated small parcels of land formerly held by collectives loosely called 'co-operatives'. Now landowners, these farmers – read farm families – have rudimentary technology, little access to information and improved inputs, and few sources of productive credit. There are few community-based organizations to assist their individual initiatives. The Centre for Agricultural Extension Volunteers (CAEV) is an NGO sponsored by the Ministry of Agriculture and Food (MAFI), mandated to improve conditions among Vietnamese rural poor, especially ethnic minorities. CAEV was looking for *an appropriate organizational framework whereby individuals can pool scarce resources and energies to achieve their aspirations*. CAEV recognized the potential of private-led, or 'true' co-operatives to bring about improved conditions for the rural poor. It developed a partnership with CCA pursue two objectives: to establish model co-operatives in selected provinces, and to build CAEV's capacity to develop and service autonomous rural co-operatives.

CAEV and CCA are into a third phase of an evolving partnership. In the first phase, co-ops were formed in two pilot villages, in large part thanks to training from CCA's partner in the Philippines, NAATCO, and the exposure of CAEV staff to successful co-ops in that country. During the second phase, CCA provided information, training and funding for capital projects to five primary co-operatives in five provinces on the one hand. It also provided technical assistance and funding to build the capability of CAEV.

- A final evaluation of the second phase found the following results.
- Primary co-op members experienced a two-fold increase in rice production thanks to the irrigation infrastructure constructed through co-operative effort, access to credit, and extension services. This has led to increased incomes of 40 percent on average, to farm families.
- Family consumption among co-op members rose between 20 and 60 percent as a result.

- All other uncontrollable variables constant (e.g. price of inputs, paddy prices, etc.), member incomes are likely to be more stable. “The demonstration of crop production technologies and practices have complemented the savings-credit and infrastructure activities to substantially enhance income prospects of co-op members.”
- The model co-operatives are able to mobilize savings in even the poorest communities. These savings capitalize local credit operations that show promise of reaching financial viability.
- There was an improved sense of community and increased cooperative initiatives for community betterment projects in areas where the model co-op were established. There is “recognition of the value of co-operation not only for construction but for local participation in decision-making.”
- While women had greater opportunities for participation in community activities through the medium of the co-operative, this does not appear have increased substantially beyond Phase I levels.
- There is widespread and active interest among surrounding communities in creating co-operatives of their own.
- CAEV has been able to play advising the government in drafting new co-operative legislation in favor of locally controlled, voluntary, democratic co-operatives.

Beyond these promising results there are uncertainties. The regional cooperative development units need more experience and confidence before they can effectively lead co-op development among mature farmers. There is as yet no established policy or program beyond enabling legislation. How the new Co-operative Law will be implemented is uncertain. The reactivation of the former commune-collective model may be judged more appropriate than the formation of the entirely new private-led model. “In the ‘rush’ toward economic development there remains the potential for (...) government intervention in the movement.”

Among the lessons learned from the project, the evaluation finds that “successful co-operative development (...) is greatly facilitated by strategically positioned champions who demonstrate strong leadership and understand how to work within the various political, social and cultural dimensions which influence acceptance of change”.

Meeting the basic human needs of the poor : Organizing housing co-ops in Bangkok slum communities

Much of what housing assistance offered in the past by the Government of Thailand was directed to rural areas. As the country’s economic growth took off, however, Bangkok absorbed massive rural migration. Land speculation contributed greatly to drive up housing costs. More and more people were forced into living conditions that lack even the most basic health requirements.

More than one-quarter of Bangkok’s citizens live in the city’s 1200 slum communities where both renters and squatters lived under constant threat of evictions which were often brutally enforced. Many of these people live an infernal cycle of eviction and resettlement in new squatter slums as families move from site to site. Typhoid, hepatitis and acute diarrhea are common problems; soil contamination due to the uncontrolled use of inadequate pit latrines poses on-going environmental concerns.

The strategies developed to deal with this burgeoning problem have generally proved ineffective. Government policies are vague and breakdown in implementation. Support for slum dwellers from the National Housing Authority is ambiguous. Interest rates on housing loans under government schemes is prohibitive to the poor.

The Building Together Association (BTA) was formed in 1978 by professionals who wished to work with the urban poor to solve housing and other problems. Interest in developing housing co-operatives began in the mid 1980s as a means to fight against evictions, to assist in improving living environments and to provide organization in the resettlement process. BTA's approach emphasizes grassroots development by raising people's political awareness and motivating them to resolve their own housing problems. BTA is perceived as the organization best positioned to provide the special expertise related to the development of housing co-ops. Its role is also to provide coordination between the various NGOs who work on related housing issues in the slum communities and to inform them about the co-op model. BTA is also open to other models for community organization, recognizing that housing co-ops are new and that it will take time for the concept of democratic management to take hold in the sector.

CCA became involved with BTA in 1991 with a small, one-year Block Fund project that brought the experience of Canada's housing co-operatives to bear on the problem. This project aimed to enhance the capability of the BTA to promote and organize housing co-operatives among slum dwellers in metropolitan Bangkok. Now into a third, three-year phase (1995-1998) this partnership has sought to educate people in low-income communities about the co-operative option to housing, and to help groups to organize themselves into co-operatives. Savings groups have turned out to be an effective way to lay the groundwork for the organization of a formal co-operative. This helps build member commitment to cooperation, and prompts community members to develop structures and procedures for collective decision-making.

Given the scope of problems facing slum dwellers, the BTA-CCA approach has emphasized collaboration with government programs and specialized NGOs. Not the least of these has been the Credit Union League of Thailand (CULT), another CCA partner. Tapping the financial resources of the credit union movement through loans for co-operative housing projects may be critical to their success.

Canadian and Mongolian co-op sectors : a new relationship is launched

Mongolia is restructuring its rural financial sector and is looking to the Canadian experience in the development and expansion of rural credit unions.

In October 1997, seven Mongolian government and co-operative representatives spent a three-week study tour of rural credit unions and agricultural co-operatives in Manitoba, Saskatchewan and Ontario. The Deputy Governor of the Central Bank of Mongolia was a participant in this tour, also visited CCA, the Credit Union Central of Canada and the Central Bank of Canada. During the Deputy Governor's visit with CCA, Mongolian representatives spoke of their country's co-operative development needs, while CCA presented its ability to provide appropriate expertise.

In March 1998, three CCA representatives presented a workshop on "Credit Unions and the Delivery of Micro-Finance" in Ulaanbaatur, Mongolia in March 1998, to Mongolian government and co-operative representatives. The principal message conveyed through the workshop was that *credit unions as micro-lending institutions can succeed in developing the community while encouraging savings*. During the same month, CCA was the sole Canadian non-governmental organization contacted by the Department of Foreign Affairs and International Trade to meet with a delegation of high-level Parliamentarians from Mongolia on official diplomatic visit in Canada. CCA took the opportunity to discuss with the delegation the joint plans of the Canadian and Mongolian co-operative sectors.

Sharing experience in community development : aboriginal "apprenticeship" overseas

In the interests of increasing its network within Canada and applying lessons learned in developing countries to development issues at home, CCA has been exploring practical linkages with Canada's aboriginal community. Discussions between CCA and an aboriginal-owned consulting firm, Le Groupe Cleary, began in 1997. Le Groupe Cleary was seeking to broaden its market by offering its services in international development, while CCA sought a new perspective to its community development approaches from an aboriginal firm with clear expertise working with marginalized communities.

The Pilot Aboriginal Apprenticeship Project that grew out of these discussions provided the aboriginal firm with overseas exposure; while giving CCA an operational link between its International Program and the Canadian aboriginal community. In January 1998, the "apprentice" accompanied a CCA technical assistant to India to participate-observe a workshop on sustainable community-based savings and credit, and the local CCA Field Officer on project development and partner visits. A longer-term partnership is currently being explored.

Deepening the financial system in Nepal : creating a credit union inter-lending facility

Successful primary credit unions have been generating surplus funds and looking for ways to make productive use of this surplus. Most have identified the need for an inter-lending program to financing more significant loans. The Nepal Federation of Savings and Credit Unions, Ltd. (NEFSCUN), the apex body representing credit unions, is developing a Central Finance Facility (CFF) with the technical assistance and financial support of CCA. The end result of this two-year initiative is expected to be significant mobilization of surplus funds through an operational and self-financing CFF.

Co-operatives in China's transitional economy : From state entities to member-owned businesses

China has undertaken to restructure its rural, agricultural co-operatives' marketing and supply system. A study mission of seven Chinese representatives from two organizations and the Ministry of Agriculture (China) visited Canadian agricultural co-operatives in Saskatchewan, Alberta and Manitoba. The purpose of these visits was to gather information in co-op structures and models for adaptation in China. In March 1998, the All China Federation of Supply and Marketing Cooperatives (ACFSMC) hosted a high level Sino-Canadian Co-operative Seminar on co-operative restructuring which included the Canadian Minister of Agriculture, Mr. Lyle Vanclief. CCA was asked to prepare workshop presentations on Canadian agricultural and consumer co-operatives, credit union systems, and business administration. Co-operative legislation and government relations with co-operatives were subjects of keen interest to the Chinese participants in the Seminar. Canadian representatives also evaluated pilot sites chosen for implementing new co-operative structures on the Canadian model.

Adapting co-operatives to economies in transition : Women's income generation in Xinjiang

Xinjiang Uyghur Autonomous Region is the largest provincial-level administrative unit in China, located in the extreme northwest of the country. Twenty-five of the 86 counties were designated as 'poor' by the China State Council in 1994. Some 55% of the region's 16.3 million people live in rural areas. Minority

groups make up 62% of the population. Development in Xinjiang is restricted by lack of investment capital, limited education, and the lack of basic institutional, legal and physical infrastructure.

China's development strategy for poor rural areas focuses on promoting sustainable market-driven economic systems. As all aspects of rural economies, including the provision of basic services, become more market oriented and cash based, women are experiencing a greater need for independent sources of income and increased decision-making power. But constraints related to education, access to credit, relative status in the community and the burdens of combining household and productive work mean that women – especially minority women – are generally disadvantaged in an increasingly market-driven economy.

A generally successful women's income generating project was supported by the FAO/UNFPA in several provinces and autonomous regions including Xinjiang. In 1994, the Ministry of Foreign Trade and Economic Co-operation (MOFTEC-Canada) mounted an initiative to create a poverty alleviation project based on WID parameters aimed at refining/improving the FAO/UNFPA model. CIDA was approached for bilateral assistance and CCA was chosen in September 1996 as the executing agency for a \$5.7 million project whose goal is to improve the socio-economic status, income and quality of life of poor rural women within the minority groups of the Xinjiang Region. The purpose of the project is to provide access to credit, business, management and skills training, functional literacy/numeracy, and the promotion of more equitable gender relations at the village level.

CCA's successful proposal advanced a strategy of initiating a sustainable process for the mobilization of savings and the granting of affordable credit to support member-owned, profitable, self-managed micro enterprises ... "co-operatives" by definition. CCA's approach emphasizes i) the motivation and abilities of poor women, ii) the concept of inclusive management and group solidarity, iii) respect for the integrity and priorities of the target clientele, and iv) the continuous development and upgrading of professional staff able to carry on the work once the project is over. The project will develop gender-appropriate training materials that will be used to enhance the ability of individual women and women's solidarity groups to plan and manage a micro-enterprise. It will also develop a sustainable solidarity group savings and loan model that can also be adapted to other counties.

By the end of the 5th year of the project, a minimum of 288 solidarity groups will be operating in 144 villages within the 24 townships of four counties in the region. It will thus reach between 1400 and 2000 poor women. Central to the sustainability of the micro-finance program is the control and management of the loan fund by the women participants, through a democratically elected management committee, according to agreed upon standards and procedures appropriate to the socio-cultural context and the realities of sustainable micro-finance.

Appendix D

DID Experience with Asian Co-operatives

APPENDIX D

OVERVIEW OF DID EXPERIENCE WITH ASIAN CO-OPERATIVES

The Philippines

DID began work in the Philippines in 1989, providing technical assistance to the consolidation and integration of a network of co-ops organised in a regional federation named Mindanao Alliance of Self-help Co-operatives - Southern Philippines Educational Co-operative Center (MASS-SPECC). Over a four-year period, DID furnished 14 short-term technical missions aimed at strengthening MASS-SPECC's financial intermediation function. The missions were focused on the areas of savings mobilisation, Central Fund management, credit management, strategic planning, a review of accounting and management information systems, self-financing of services, and the division of responsibilities between the various levels of the co-operative institutions. DID also began to work with the Co-operative Development Authority (CDA), the government agency responsible for the accreditation, supervision and regulation of co-operatives in the Philippines.

Beginning in 1994, DID undertook to assist MASS-SPECC and CDA to bring competitive financial intermediation services adapted to the needs and capacities of Mindanao's small and middle-income earners. The project sought to consolidate and integrate the financial and organisational structure of MASS-SPECC's 265 primary co-operatives and 9 provincial federations, whose total membership exceeds 400,000. The project also provided support to CDA to revise existing co-operative legislation, adapting it for savings and credit co-operatives.

The project's results and lessons learned have been as follows

- The geographical scope and the program of activities were found to be very ambitious considering the need to introduce a number of operational changes in a short time (e.g. implementing a new computer system in co-ops who had little experience with computers and whose books were not necessarily in harmony).
- The great diversity among the co-operatives (in terms of their operations, products and services, financial and accounting practices, etc.) posed a real challenge to standardisation. This was compounded by a significant cultural resistance to standardisation, seeing in it a loss of autonomy.
- The project succeeded in developing a number of systems. Despite the difficulties linked to the necessary standardisation cited above, MASS-SPECC's members did come to appreciate the importance of strict standards and the need to consolidate the network. Thanks to the project, MASS-SPECC developed a well-trained technical support unit which has become the nucleus of further network building activities.
- The partnership between DID and MASS-SPECC was strengthened, contributing to the definition of a major bilateral initiative involving DID, CCA, MASS-SPECC, other regional co-operative federations, and the National Confederation of Co-operatives (NATCCO).

Vietnam

DID has been active in Vietnam since 1991 as key advisor to the State Bank of Vietnam (SBV) in the planning and implementation of the People's Credit Funds, a savings and credit co-operative network, in order to bring adapted and competitive financial intermediation services today to 50 of 61 provinces in Vietnam. DID has provided the State Bank and credit unions with long and short-term technical resources, study tours at Desjardins in Canada, and training materials to ensure the transfer of banking know-how in the fields of regulatory frameworks, integrated banking software and off-site surveillance software, savings mobilisation, financial products and human resources development. DID has provided input *inter alia* in the following areas: legislation; governance; control; savings and credit product definition and instrumentation; training staff and management; development and implementation of a remote financial monitoring tool; development of gender policy program (41% of borrowers and 40% of managers are women and a microcredit fund has been adapted to their need.

As of November 1998, the PCFs have become the country's second largest financial services provider and its most important microfinance stakeholder. Total assets of the PCF network then reached 198 million CAN \$, savings amount to 129 million (CAN \$); loans = 172 million (CAN \$), membership = 641 000, number of PCFs = 979; equity over assets = 14,6 %.

In those four years, this network, which is five years of age today, has disbursed 2 264 890 loans for a total of 1 billion CAN \$; in the first 11 months of 1998 alone, 711 210 loans were authorised i.e. 15 000 loans per week.

Among the reasons for achieving such a tremendous growth in such a short period of time, one can stress that:

- PCFs responded to a huge, unmet demand for adapted financial services in Vietnam's rural areas;
- Vietnamese authorities, namely the State Bank of Vietnam, put enormous efforts and investments to accelerate the process and create conditions for success: participation on a voluntary basis, strong involvement from the communities, enforcement of strict operating rules, commitment to good management practices, emphasis on training of human resources, control and monitoring of the network at the central level;
- the local staff were able to absorb DID's technical expertise at a rapid pace.

DID and the SBV have hosted an international seminar in April 1998, that drew senior representatives from financial co-operatives linked to DID in Asia, the Americas and Africa who, along with Vietnamese officials from the SBV and Department of Finance, have examined the various alternatives available to the PCF network that will affect its upcoming strategic orientation.

In January 1998, DID started the implementation of a second intervention in Vietnam, the Rural Finance Outreach Project which aims at linking low-income rural households with formal banking institutions through organisations such as the Vietnam Bank for Agricultural and Rural Development and the People's Credit Funds.

China

Through the CIDA-funded Micro-finance Project, DID provides support to eight pilot rural credit co-operatives (RCCs) in Hebei Province in developing alternative methods for processing, delivering

and managing micro-finance products and in establishing an operational loan MIS. The project also involves the organisation of study tours and workshops for RCC staff and managers, policy makers and local and regional government authorities. The goals of this micro-finance project are to:

- show that micro-finance represents a profitable area of activity for RCCs and also that it represents a sustainable business opportunity both from a financial and corporate point of view;
- clearly demonstrate that providing micro-finance services throughout the RCCs is sure to have a meaningful impact on alleviating poverty, with management performance meeting all international quality standard requirements, while attempting to raise the interest and funds of national and international development organisations.

Appendix E

Increasing Women's Participation and Benefits

APPENDIX E

INCREASING WOMEN'S PARTICIPATION AND BENEFITS

(Linda Moffat, Women in CCA Projects in Sri Lanka: A Case Study. CCA, 1991)

Although Sri Lanka is a patriarchal and male-dominated society in which many social, economic and cultural gender inequalities exist, women are not explicitly discriminated against. Exceptions exist within some minority cultural groups, but in general women enjoy respect, status and legal rights within family and marriage relations. They are, for the most part, literate and educated, with a relatively high level of independence and mobility. Women actively contribute to the economic well being of households through their unpaid agricultural labor, paid labor, informal income earning activities or formal employment. Over the last decades women have married later and had fewer, healthier children. There is a societal acknowledgement that families and communities achieve betterment through the education, efforts and contribution of both women and men... Nevertheless, women are largely viewed and view themselves as subordinate to men.

Increasing the participation of women (and youth) has been an on-going objective of CCA's institutional strengthening projects with its Sri Lankan partners. As major purchasers and consumers of household goods, agricultural producers, fish processors and sellers, and managers of household finances, women are seen as valid 'stakeholders' in all co-operative sectors. Women-specific activities have promoted the formation of women's committees and to provide training to women members, committees and leaders. Considerable progress has been made in this area and there is now a significant cadre of women who have had an opportunity to develop experience working on committees, increase their skills and self-confidence and build up their understanding of and commitment to the co-operative movement.

Yet an analysis of the impact of CCA's projects on Sri Lankan women found that "the present structure of women's committees remains peripheral to the mainstream co-operative movement and to planning and management practices. "Women and youth have been viewed more as special projects and target groups to be brought into the movement in a supportive role, rather than as a key development strategy and potential co-operative partners."

Despite this situation, there is evidence that attitudes toward women's involvement in public affairs are changing in favor of their greater participation in leadership positions outside the household? The number of women in leadership positions in mainstream co-operatives is small, but growing. The study concludes with some guidelines for promoting women's participation in co-operatives.

- ✓ *Social-Gender Awareness* – A thorough understanding of gender relations, the situation of women and of the socio-economic and cultural organization of communities is a pre-requisite to effective planning for the participation of women in co-operatives.
- ✓ *Equality of impact* – An important goal regarding the participation of women in programs and projects is to achieve equity of impact or benefit for women and men. Aiming for equity of impact implies that any disadvantages that women face compared to men (lack of self-confidence or credibility, education, collateral or domestic responsibilities) must be identified and addressed.
- ✓ *Consultation with women* – Consultation with grassroots women and their involvement in the planning process is essential in order to develop appropriate mechanisms and activities for their participation. Development agencies and their partners should ensure that the voice of women at the village level can be heard regularly, that women are adequately informed about issues and options, and that women are empowered to effect their own development.
- ✓ *Strategic planning* – Planning for women's participation must be as strategic as the planning for any other desired organisational change.

Appendix F

Synopsis of the Montreal and Seoul Co-operative Round Tables

APPENDIX F

SYNOPSIS OF THE MONTREAL AND THE SEOUL CO-OPERATIVE ROUND TABLES

November 1998

Two Co-operative Round Tables were held in Seoul (November 1-2) and in Montreal (November 18-19) bringing together participants (30 in Seoul, 40 in Montreal) drawn from a cross section of co-operatives, academics, NGOs, Government - International Organisations in order to have a broad objective assessment and interpretation of co-operative situation and to look into futuristic positioning of co-operatives in the context of partnerships, between Asia and Canada. Representatives of CIDA, DID and CCA also enriched the discussion. The event was the culmination of a broad consultative process in the co-operative and development communities extending over more than five months. The Round Tables pursued a number of objectives:

- to increase understanding among participants of the influence of co-operatives on social and economic development;
- to generate a common appreciation of lessons learned in co-operative development, particularly as related to poverty reduction and sustainable development;
- to generate commitment to collaborate to promote co-operative development.

Accelerating social, economic, and political change in both Canada and Asia stimulated Round Table discussion of the conditions and actions that favor the emergence, independence – and viability – of co-operative enterprises.

Emerging co-operatives – Promoting growth in the co-operative sector

The dominant credos – in both economic and social spheres – leave little room for co-operative ideas. Yet times of economic and social challenge open opportunities for co-op development. Are conditions right for significant growth in the co-operative sector?

- Globalization brings with it a need to identify more locally. Persistent poverty, unemployment and the fragile state of economic and social systems puts greater responsibility on individuals and groups to take charge of their own advancement. The co-op model of social and economic self-help is an appropriate answer to the situation, but greater efforts must be made to communicate the “co-op difference”. The message must be clear and convincing that co-operative enterprises bring “added value” to their business operations by being rooted in their milieu and committed to its well-being.
- In order to promote co-ops through action *as a movement* it is essential to first articulate a movement-wide understanding of the co-op distinctiveness. If co-ops are to emerge, the advantages of co-operation must be real to potential members. There is a recurring need to “make sense” of collective action by regularly questioning the distinctiveness and adequacy of the co-op answer to economic problems. Similarly, co-op members must regularly be reminded the pressure that competition puts on their organisation and the constant call to offer products and services at increasingly competitive price and conditions.

- Co-op promotion requires support infrastructure and tools. While there are many examples of inter-co-operation among co-operatives in the economic sphere, co-operation for co-op promotion is only slowly taking shape.
- Apex co-operative organizations are important to mobilize resources for co-op development, but primary co-ops serve an essential demonstration role by educating their members, fulfilling their mission of service to the economic and social interests of their communities, and informing the larger community of their rationale and activities. In developing countries, an alliance between co-ops and NGOs may be an effective way to introduce the co-op model in marginal communities.
- It has been observed that co-ops succeed best in countries where Government emphasizes the coop model while respecting their integrity and autonomy. An appropriate legal framework for co-op development continues to be an essential precondition for the emergence of a healthy co-op sector. Legislative reform is needed in nearly every country, freeing co-ops of government interference and enlarging the range of business and financing options available to co-ops. Government is a useful ally for co-op development, but co-operatives themselves should be primarily responsible for co-op promotion and development.

Co-operative independence – The role of democratic governance

Economic viability is critical to a co-operative's survival; also a sense of community ownership is essential if the co-op is to take root and achieve social viability. How can co-ops maintain a meaningful level of democratic governance in the face of competition?

- Co-operatives are increasingly relevant and recognized for their practical contributions in integrating social and economic dimensions – the growth with equity conundrum.
- To maintain member involvement in governance, the co-op must discover and respond to the evolving needs of members. There must be two-way communication between the co-op and the community to identify emerging collective interests. The onus falls on co-op leaders (both managers and elected representatives) to innovate in opening more effective consultative processes.
- Sound decisions can only be taken on the basis of complete and accurate information. There is a profound conviction that members who are informed and consulted on the significant issues of long-term success in their co-op, will govern in the best interests of the collective enterprise. The most successful Canadian co-ops invest heavily in member education (e.g., Agropur, Federated Co-operatives Ltd), seeing member participation as invaluable for setting strategic directions for the enterprise.

Co-operative viability – The economic-social duality in real life

The economic-social duality is fundamental to the co-operative model. Maintaining the ‘right’ balance between the two is an on-going challenge. For the past few decades, Canadian co-operatives have paid considerable attention to achieving and preserving economic viability. But many believe that competitiveness on the economic front has cut into co-operatives’ contribution to viable communities and an equitable society. How can co-ops balance economic and social imperatives to achieve a rooted, strategic and structured involvement in the community?

- Expectations are frequently higher for co-ops than for other businesses. Co-ops are expected to both compete as enterprises and demonstrate concern for the community. Co-operative concern for community may be seen across a wide spectrum of actions, from timely philanthropy to leveraged socio-economic development funds. Moreover, “communities” are being redefined as patterns of common interest and mechanisms for interaction change.
- Value-based management is explicit in co-op principles, yet co-ops often fail to exploit this strength sufficiently in both day-to-day management and promotion of the co-op enterprise in the market place.
- Successful co-operative enterprises can effectively provide services and products to the most marginalized when they act together (through ad hoc or formal federated structures), leverage financial resources and link with other types of organizations (NGOs, community groups).
- Co-ops do good work extending services and equitable opportunities to marginalized groups (women, aboriginal peoples, social assistees), but are not good at publicizing the good they do. Co-ops need to find ways to articulate their social aims in terms that do not threaten their autonomy from political labels. Co-ops’ economic/social duality should be exploited to develop a co-op perspective on the interface between complex issues such as renewable resource management (forests, water, land use, etc.), sustainable employment, food security and social cohesion.

How can we expand the impact of co-operatives?

Participants in the Seoul Round Table identified a number of priorities for improving the socio-economic impact of co-operatives in Asian countries.

- Co-ops should raise their general social consciousness by institutionalizing dialogue with members and awareness to the well being of their community. This will necessarily involve co-ops in reaching out to new groups (youth, women, aged, needy), offering innovative services to the members and community.
- If co-ops are involved with government, they should do so only for the advantage of the membership and community which they serve. Concerning the ‘poorest of the poor’, co-ops provide economic and social space for the poor and expand membership to include low-

income groups, but *poverty alleviation* is a responsibility of the government, not of co-ops. But co-ops must insist that government consider them *ally*, and not an agent. Co-ops should engage governments in dialogue on the public policy framework, such that poverty reduction programs aim not merely at enhanced incomes for the poor, but rather seek to *improve access by the poor to the means of production and to decision making processes*.

- Co-ops should develop ways to evaluate co-operative performance, including measures of success in social/community impact. This will involve applying clear *economic* (gross asset formation, return on investment, market share) and *social* (self-reliance, autonomy, response to community needs) standards for the operations and management of co-operatives.
- Evolving suitable legal framework for ensuring
 - capital adequacy: mobilisation of capital from members and from within the movement (domestic and international) and not from government; opening to borrowed capital from outside after initial capital is raised internally,
 - better auditing practices (enhancing scope of audit by including financial as well as management and social audit),
 - self-regulation.
- Formulating and implementing human resource development strategy for imparting professional management, education/training, leadership training
- Enhancing trade through business development and networking strategies.
- Enhancing governance at all levels through value based approach.
- Increasing participation of women in membership, leadership and management of co-operatives.
- Encouraging Co-operatives to create 'Investment Pool' for co-operative development through inter co-operative efforts and linkages at international level.

Taking the initiative for co-operative development – in Canada, in Asia, and between the two

How do we take the initiative to promote the co-operative model so that ten years from now:

- ✓ *co-ops have a larger market share, in a wider variety of productive and service fields;*
- ✓ *co-ops are locally responsible enterprises serving their members interests;*
- ✓ *co-ops are economically viable and socially involved.*
- In Asia, financial co-ops are opening their membership to solidarity groups (establishing 'village banks' associated with a local financial co-op), and transforming solidarity groups into financial co-ops (particularly in India and Bangladesh). The co-op model is attracting NGOs seeking an enterprise form compatible with their community-building interests.

Aboriginal peoples, youth, women and the marginalized in rapidly transforming economies are all prime target populations for future co-op development in Asia.

- Co-operation among co-ops is far from an automatic reflex. The positive examples of co-operation among co-ops need to be multiplied and expanded. Financial co-ops play an important role financing viable co-op enterprises (*Desjardins' Fond d'investissement coopératif*, for example). The designation of resources and representatives to undertake co-op development in the name of the co-op movement (Quebec's *coopératives de développement régional-CDR*, VanCity's Regional Development Commission, community development co-ops elsewhere in Canada) is another positive step. Collaboration among CCA, CCC and the Co-operatives Secretariat to produce a "Co-op business start-up kit" is a positive contribution to making the model more accessible to potential co-operators.
- ICA is encouraged to continue and expand its sponsorship of forums for its members, particularly those in ASEAN countries. The involvement of more advanced financial co-operative systems in the development of financial co-ops (Korea to Mongolia, Hong Kong to China) should continue and expand. In the fallout of the financial crisis in Asia, it is opportune to put forward the co-operative model of locally owned, democratically controlled and prudential financial systems.
- CCA's efforts to expand its web-based information exchange infrastructure are a positive initiative following a recommendation of the *Co-operative Enterprise Development Action Plan*. Collaboration among Canadian co-ops and universities throughout the country would be a logical step towards a world-wide 'co-op infonet' with sufficient mass to influence the direction of co-op development. Such globe-circling intelligence is essential if co-ops are to compete with multinationals.
- For its part, ICA is establishing a regional information network to promote commercial exchanges among Asian co-ops and between Asian co-ops and the rest of the world.

Expanding ties among Canadian and Asian Co-operatives

- Asian co-op partners could benefit from the technical expertise and experience of Canadian co-ops in the areas of agro-food, banking technology, professionalizing management, the creation of sustainable employment, the provision of social services, human resource development for improved governance, and collaboration with other groups for poverty reduction. The financial and social crises in Asia may open opportunities for the reform of government-led co-ops into true member-driven co-ops. Canadian experience has much to offer to the reform of co-op legal frameworks and democratic decision-making.
- Canadian co-ops would benefit from Asian co-operators acute understanding of the co-operative as social actor. Their experience in adapting the co-op message to many different ethnic groups and marginal populations would be invaluable to the evolution of Canadian co-op models. Asian co-ops also have a wealth of experience in adapting the co-op model to the needs of women, while Canadian co-op experience in this area is limited.

Increased linkages among universities and co-op management institutes in Canada and Asia (exchange of research, case studies and educational programs) would help identify areas for complementary and /or joint action.

While DID and CCA may have competed for development assistance funding in the past, the two agencies would convey a more coherent co-operative message and provide more effective support to co-operative development if they were to collaborate in joint co-operative development initiatives, there where they have joint interests.

- New areas for dialogue have been opened through the consultative process. A full exploration of the issues in a spirit of partnership is bound to result in the more effective use of the co-op model to achieve equitable economic growth.

Canadian co-op organizations and their Asian partners need to discuss frankly their successes and failures, and how to improve their business relations.

Canadian co-op organizations and CIDA need to follow-up on the consultative process to explore the opportunities identified for more effective use of the co-op as a development tool.

Appendix G

List of participants at the Seoul and the Montreal Round Tables

CIDA/CCA/DID/ICA ROAP Study on « Strengthening Partnerships in Asia and
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In addition to the above, delegates from CIDA, CCA and DID will also be attending the Round Table Meeting in Seoul.

18th September 1998



Développement
international Desjardins



LISTE DES PARTICIPANTS - TABLE RONDE - MONTRÉAL, 18 ET 19 NOVEMBRE 1998

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Appendix H
Additional Reading

APPENDIX H

ADDITIONAL READING

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MITCHELL, Robert. « CIDA Support to Microcredit Programs in Asia : Lessons and Guidelines for Future Programming ». Report prepared for Asia Branch, CIDA. Ottawa, 1997, 17 pages.

ROSENBERG, Richard. « Independant Review of UNCDF Microfinance Activities ». UNCDF Programme Evaluation. New York, UNDP, 1998 , 50 pages.

Co-operatives in Canada and Asia Entering the New Millenium

Développement international Desjardins (DID), Canadian Co-operative Association (CCA), International Co-operative Alliance Regional Office for Asia & the Pacific (ICA-ROAP), and Canadian International Development Agency (CIDA), have conducted in 1998 an in-depth consultative process in view of identifying ways and means co-operatives could more fully realize their potential as a catalyst for social and economic development. The consultative process was also intended to enrich thinking about how co-operatives can contribute to meeting poverty reduction objectives, through private sector development, delivery of micro-finance and addressing basic human needs.

In Asia, co-op leaders in more than twenty countries had an opportunity to respond in depth to questionnaires while many others were interviewed in person. More than sixty people "on the ground" across Canada - elected leaders, managers and members from co-ops in all sectors, as well as development professionals involved with co-operatives - had an opportunity to share their experience and perspective on the subject through interviews and focus group discussions. Their comments and perspective in turn helped frame a number of key 'themes' that were the object of debate and exchange among co-operators, academics and development practitioners during Round Tables held in Seoul, Korea and Montreal, Canada.

Banking on the outcomes from these consultations, this Status Report is inviting to reflection, and discussion, and is enriching our common understanding of co-operatives' potential as a tool for social and economic development.



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