

Fact finding mission to Myanmar on Consumer Cooperatives

Pradit Machima



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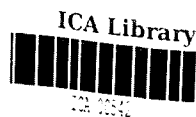
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November 1994 (300)

Typeset and Printed at Document Press, H.S. 14, Kailash Colony Mkt.,
New Delhi-110065. Phone : 643-2836

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By Pradit Machima

1. INTRODUCTION

Recently the International Cooperative Alliance, Regional Office for Asia and the Pacific (ICA ROAP) had sent Mr. Pradit Machima, ICA Consumer Advisor along with Mr. H. Amano, a Foreign Relation Officer from Japanese Consumer Cooperative Union (JCCU) to visit Myanmar. The main objective of the visit was to get the first-hand knowledge of consumer cooperative movement of Myanmar and to make contact with Myanmar Cooperative leaders and cooperative officials. The visit was very interesting and the mission was a very successful one. It is expected that there will be more cooperation and better coordination between Myanmar Cooperative Movement and ICA Committee on Consumer Cooperation and JCCU in the future.

2. OBJECTIVES

Main objectives were:

- 2.1 To get first-hand information of consumer cooperative movement, its organizations, mode of operations, financing, results of operations, problems, education and training and potential for expansion at all levels;
- 2.2 To initiate a liaison with Govt. cooperative officials and cooperative leaders and cooperative officials from cooperative training institutions;
- 2.3 To discuss general problems concerning consumer cooperative development within the country and cooperation with ICA & JCCU; and
- 2.4 To discuss the detailed programme of National Seminar on Consumer Cooperative Development to be held in Myanmar in November 1994 in collaboration with Central Cooperative Society and Ministry of Cooperatives.

3. DATES AND PLACES OF VISITS

<i>Date</i>	<i>Designation/organisation</i>	<i>Place</i>
7.12.93	1. Director General & staff, Dept. of Coops.	Yangon
	2. Manager & Staff of Coop. Show-case	Yangon
	3. Chairman & Board of Directors, Central Coop. Society.	Yangon
8.12.93	1. Executive Committee of Yangon Division Township Coop. syndicate.	Yangon
	2. Division Head & staff of Yangon Coop. Office, Dept. of Coops.	Yangon
9.12.93	1. Board of Directors of Mandalay Division Township Coop. Synd.	Mandalay
	2. Mandalay Coop. Emporium.	Mandalay
	3. Division Head & staff of Mandalay Coop. Office.	Mandalay
	4. Mandalay Division Township Coop. Syndicate Business sites.	Mandalay
	5. Mandalay Division Govt. Employees Coops.	Mandalay
	6. Cooperative Store, Mandalay	Mandalay
10.12.93	1. Magwe-Mandalay Division Coop. Training School	Magwe
	2. Maymyo No. 6 ward marketing coop. society.	Maymyo
11.12.93	Return to Mandalay	
12.12.93	1. Principal & staff of Central Coop. Training School	Phuang Gyi- Hlegu
13.12.93	1. West Yangon Distt. Govt. Employees Coop. Society.	Yangon
	2. Yangon Emporium Coop. Syndicate	Yangon
	3. Kyauktada Coop. Store	Yangon
14.12.93	1. Minister of Coops. & High ranking officials of coop. dept., Ministry of Coops.	Yangon
	2. Chairman & Board of Directors of Central Coop. Society	Yangon

4. THE FINDINGS

4.1 The Country

1. Myanmar is the largest main land in South East Asia with an area of 677,000 sq. km and 42.3 million people.

2. Myanmar comprises 7 States and 7 Divisions. It is a union of many nationalities as many as 135 ethnic groups, speaking many languages and dialects. The largest nationality is formed by the Bamars, 68% of the total population who are mainly living in the low land.

4.2 The economy

1. Myanmar is a rich country but the people are poor. Main products are rice, timber, mineral and ores, etc.
2. Main exports are rice and timber.
3. Per Capita Income was estimated at US\$ 230 in 1992.
4. Transportation and communication is inadequate and backward.
5. The backwardness of the country and the country's economy was the result of the socialistic approach (closed society).
6. The foreign exchange rate is unreal, official rate is Kyats 5.8 to US\$ 1, while the market rate is Kyats 120-125 to US\$ 1.
7. Convenience goods are imported mainly from China or Thailand.
8. Unemployment rate is quite high.
9. Salary of Govt. officials and cooperative employees and general public is low, around Kyats 800-1,500 per month or US\$ 6 - 12 a month as per market rate.

4.3 The Cooperatives

4.3.1 Old types of Cooperatives

4.3.1.1 Sailient features of cooperatives before 1993

Main characteristics of cooperative societies before 22 December, 1992 were:

1. A state directed cooperative. Every thing was under the strict instruction and control of the government;
2. The share owned by members is fixed. No one can own more than one share. Working capital was almost fixed.

3. A cooperative society was an agency of the government. It was a state owned cooperative; and

4. An agency to distribute goods to the consumers.

4.3.1.2 Organizational structure

There were 4 levels of cooperative societies:

1. Primary Cooperative Society;
2. Township Cooperative Society;
3. Township Cooperative Syndicate (Union or Federation);
4. Central Cooperative Society.

4.3.1.3 Types of Cooperatives

1. Producers' Cooperatives
2. Village tract Cooperatives
3. Consumers' Cooperatives
4. Cooperative Credit Societies

The number of Cooperative societies formed according to the 1970 Cooperative Law upto 22 December, 1992 were as follows:

1. Central Cooperative Society	1
2. State/Divisional Township Cooperative Syndicates	15
3. Township Cooperative Societies	302
4. Consumer Cooperative Societies	2,525
5. Village Cooperative Societies	12,582
6. Savings & Credit Cooperative Societies	2,172
7. Industrial Cooperative Societies	2,219
8. Other types of Services Cooperative Societies	284
Total	20,100

4.3.2 New Types of Cooperatives

4.3.2.1 New feature of co-operative societies

Under the new Co-operative Law of 22 December, 1992, the Cooperative Societies have more freedom to organize, operate and manage. However, those organized under the 1970 Cooperative Law have to be re-organized or re-structured according to the new Law.

So far (upto 30 Nov. '93) 2,969 Cooperative Societies were re-

structured according to the 1992 Cooperative Laws. They were:

1. Consumer Cooperative Societies	651
2. Village Cooperative Societies	1,020
3. Savings and Credit Cooperative Societies	1,018
4. Industrial Cooperative Societies	259
5. Other types of Services Cooperative Societies	21
Total	2,969

A new Cooperative Law was enacted on 22 December, 1992 to enable cooperative societies to be in line with the trade liberalization policies of the Govt. and under this new law, cooperatives have become independent and economically viable organizations engaged in all aspects of business, such as manufacturing, trading and services.

The new cooperative law allows people to form cooperative society in line with ICA principles of Cooperatives. For example, open membership, democratic control, limited interest on share capital, member education, cooperation among cooperatives in and outside the country etc.

The Cooperative Societies are to be formed, as follows, in accordance with the basic Cooperative Principles:

1. A Primary Cooperative Society may be formed with at least 5 persons;
2. A Cooperative Syndicate (Federation) may be formed with at least 3 primary coop. societies;
3. A Union of Cooperative Syndicates consisting of cooperative syndicates may be formed;
4. The Central Cooperative Society may be formed consisting of cooperative syndicates and Union of Cooperative Syndicates.

Upto 5 November, 1993, 1,173 Primary Cooperative Societies and 9 Cooperative Syndicates were formed under the New Cooperative Law as follows:

Primary Cooperative Societies

1. Government Employees' Cooperative Ltd.	53
2. Cooperative Store Ltd.	39
3. Agri. Producers' Cooperative Ltd.	657

4. Wholesale Cooperative Ltd.	75
5. Industrial Producers' Cooperative Ltd.	178
6. Services Cooperative Ltd.	46
7. Paddy and Rice Purchasing, Processing and Marketing Cooperative Ltd.	40
8. Market Cooperative Ltd. (Market Place)	63
9. Other types of Cooperatives	22
Total	1,173

Cooperative Syndicates (Federation)

1. Govt. Employees' Cooperative Syndicates Ltd.	1
2. Cooperative Store Syndicate Ltd.	1
3. Emporium Cooperative Syndicate Ltd.	4
4. Industrial Producers' Cooperative Syndicate Ltd.	1
5. Agricultural Producers' Cooperative Syndicate Ltd.	1
6. Monetary Cooperative Syndicate Ltd.	1
Total	9

4.4 Consumer Co-operative Movement in Myanmar

4.4.1 History of the beginning of the Cooperative Society

1. Co-operative activities were introduced in Myanmar in 1904 as a Government sponsored and administered movement. With the promulgation of the Indian Co-operative Credit Societies Act of 1904, the first Agricultural Credit Co-operative Society was registered in January 1905 and was set up in Myinmu Township in Sagaing Division.
2. In 1912, the Co-operative Credit Societies Act of 1904 was repealed and Co-operative Societies Act of 1912 was promulgated for the simplification of work in Co-operative Credit Societies and formation of other types of Co-operative Societies. In 1938, 17 grocery shops were opened.
3. To boost the economy of Myanmar a "Sorantovilla Conference" was held in 1947 where a two-year economic plan was adopted and a resolution was taken to form Consumer Co-operative Societies. The above resolution has been named as "Consumer Co-operative Scheme" in Myanmar History. In accordance with the resolution, purchase and distribution societies were formed in village tracts and wards. In 1949, there were 7,057 purchase

and distribution societies with the membership of 3.2 million.

4. In 1951, the first Co-operative Conference was held in Yangon where a five year co-operative plan was adopted. The Ministry of Co-operatives was formed to take the responsibility of the Plan. As per the 5-year Plan the Supply Department would import 7 items of commodities and distribute them through co-operative societies. The 7 items were condensed milk, sugar, white fabric, yarn, gunny bag, GI sheet and cement. Out of the 7 items, condensed milk and sugar were allowed to be distributed by 4,736 consumer co-operative societies.
5. From 1962 to 1970, the societies which were in accord with socialist economic system were allowed to function and those which were not functioning according to the socialist economic system were liquidated. In 1970, there remained only one society namely Mawchimines consumer co-operative society.
6. Besides in accordance with the 1970 Co-operative Societies Act the activities of ward consumer co-operative societies were extended and there were 2,520 consumer co-operative societies as on 21.12.92. They were given responsibility to distribute consumer goods to the consumers.

4.4.2 Formation of the Consumer's Co-operative Societies according to the Co-operative Society Law of 1992

7. In 1992, the co-operative societies law was repealed and the trading co-operative societies limited were formed. Up to 31st October 1993, there were 973 societies of such type.
8. According to the model bye-laws, the objectives of the Trading Co-operative Societies are as follows:-
 - (a) To buy and sell commodities needed by the members,
 - (b) To enable the consumers buy goods at reasonable prices with the correct weight,
 - (c) To educate consumers practice economy and self-help and take joint action,
 - (d) To enhance the living standard and social life of consumers by practicing market oriented economy.
9. A person possessing the following qualifications has the right to become a member of trading co-operative society limited:-
 - (a)^t A citizen, an associate citizen and a naturalized citizen;
 - (b) A person who has completed the age of 18 years;

- (c) A person living in the Union of Myanmar;
- (d) A person not of unsound mind;
- (e) A person who has subscribed fully the value of one share to the society limited;
- (f) A person entitled to be an associate member according to the clause 9 of the co-operative society law.

Note: Persons who have completed the age of 12 years may be admitted as an associate member in a primary co-op. society.

10. The business activities of the societies are as follows:-
 - (a) To open shops with commodities needed by its members;
 - (b) To purchase goods produced by members and sell to private ownership, other co-operative societies and economic enterprises;
 - (c) To carry on business in purchasing and selling commodities by consignment basis, each on delivery, paying in advance, debit account system, monthly installments, and other installment systems;
 - (d) This society may carry out any business within the law for the benefit of its members.

4.4.3 Co-operative External Trade Activities

11. The External Trade Division in the Co-operative Department is ever responsible for export promotional activities such as collecting, analyzing and disseminating market information, identifying export potential and market, product development, negotiation and documentation, supervision and control of export activities and support services for the co-operative societies to form Joint Venture with foreign partners.
12. A new Co-operative Law was enacted again in 1992 to enable co-operative societies to be in line with the trade liberation policies of the government and under this new law, co-operative has become independent and economically viable organization engaging in all aspects of business such as manufacturing, trading and services.
13. The main exports of the co-operatives are beans and pulses, different species of hardwoods apart from teak, wood-wares, rattan, animal feed such as oil cake and maize, handi-crafts such as edible palm oil, consumer and household goods, fertilizer for the farmers, vehicles and spare parts and raw materials required

by the Producers' Co-operative Societies.

14. The value of exports of the co-operatives was 3.767 million kyats for the year 1989-90 but it increased upto 82.582 million kyats last year. The targeted value for this year 1993-94 is 84.733 million kyats and the exported value is 63.639 million kyats upto 5.11.93. It shows that co-operative is the sixth largest exporter in Myanmar at present. Ministry of Forests stands first with the exported value of 490.7 million kyats; Ministry of Trade is second with the value of 219.7 million kyats; Ministry of Mines is third with 82.8 million kyats; Ministry of Livestock and Fisheries is fourth with 67.9 million kyats and Ministry of Agriculture is at the fifth place with 67.5 million kyats.

4.4.4 General Conditions of Consumer Cooperatives in Myanmar

Myanmar comprises seven States (Kachin, Kayah, Kayin, Chin, Mon, Rakhine and Shan) and seven divisions (Ayeyarawady, Bago, Magway, Mandalay, Sagaing, Yangon and Tenintharyi). However, cooperatives are well organized and well developed in only 6 divisions where socio-economic conditions are good, namely Yangon, Mandalay, Bago, Ayeyarawady, Magway and Sagaing. These 6 areas are located in Myanmar proper and have 1,958 cooperatives, 77% of total consumer cooperatives organized in the country. The rest have very small number of consumer cooperatives or almost non-existence. Number of consumer cooperative societies and results of their operations in 1990-91 are shown in Annexure.

4.5 Cooperative Education and Training

Cooperative education and training is one of the main tasks of the Ministry of Cooperatives and Central Cooperative Society to promote and develop cooperatives. In support of this concept, educational policy for co-operatives has been developed in accordance with the changing economic system of the country and it is accepted that only trained personnel should be entrusted with the organization and management of cooperative societies.

Under the Ministry of Co-operatives, there are two departments - Cooperative Department and Cottage Industries Dept. In the Co-operative Dept., the Education and Training Division implements Co-operative Education and Training activities under the supervision of the Board of Directors.

There is one Central Co-operative Training School and five State and Divisional Co-operative Training Schools. They are:

<i>Name</i>	<i>State and Division</i>
1. Central Training School	Yangon Divn., Bago Divn., Rakhine State and all State & Division for higher levels.
2. Sagaing	Sagaing Divn., Kachin State and Chin State.
3. Mandalay	Mandalay Divn., Magway Divn.
4. Mawlamyaing	Thaninthary; Divn., Mon State and Kayin State.
5. Taunggyi	Kayah State and Shan State.
6. Patheingyi	Ayeyarawady Divn.

4.6 Discussions

The team had discussion with the Minister of Co-operatives, Director General of Cottage Industries Dept., Deputy Director General and Staff members of dept. of Cooperatives, Chairman and Board of Directors of Central Co-operative Society etc.

Main themes of the discussions were:

1. Cooperative organization and administration;
2. Cooperative Law and new structure of cooperative organization, administration and cooperative management;
3. New Cooperative policy and strategy for cooperative development;
4. Consumer Cooperative structure, situations, problems and plans for re-structuring consumer cooperative organizations;
5. Education and training;
6. Cooperation between ICA, JCCU and Myanmar Cooperative Movement and cooperation with neighbouring countries; and
7. The National Seminar on Consumer Cooperative Development to be held in Myanmar in November, 1994.

4.7 Observation and Recommendations

The team observed that:

1. Myanmar has been changing and changing rapidly. This includes the changes of Co-operative Law, Co-operative Policy, organizational structure, business operations and

management and attitudes towards the outside world which needs help from ICA/JCCU etc.;

2. Consumer Co-operative societies nowadays operate like trading firms. The motive is to encourage people to do more business and to generate employment and income among them.
3. Myanmar Co-operative Movement is big and well organized but economically weak. If proper guidance and assistance is given, it can become one of the strongest movements in the region. Money and man power is not the main problem, Exposure to the outside world and technical assistance is the need of the day.
4. At present, it needs more training on modern management for both Government cooperative officials and leaders and key staff of the movement. It also needs education and training facilities and communication equipments.
5. Upgrading of training facilities and modern management training techniques are greatly needed.
6. Cooptrade with neighbouring countries and the outside world will be improved and increased rapidly due to the "open door" policy of the government and the movement is strong enough to do it.
7. Joint venture in cooperative business and partnership in cooperative trade may accelerate the development process.
8. More cooperation with ICA, international cooperative organizations in all aspects of cooperative development may be more helpful.
9. The Central Cooperative Society should become a member of the ICA Committee on Consumer Cooperation for Asia and the Pacific to share the experience of other countries.

Number of Consumer Cooperatives and results of their operations in 1990-91

Sr. No.	State/ Division	No. of Societies	Members	Share Capital(K)	Working Capital(K)	Net Profit(K)	Net Losses(K)
1.	Kachin	58	24,265	1,193,414	8,591,582	140,495	511,767
2.	Kayah	24	9,154	398,147	4,600,373	121,344	86,255
3.	Kayin	35	17,295	595,732	6,778,404	67,118	378,223
4.	Chin	23	7,928	624,399	4,382,858	141,720	75,094
5.	Sagaing	170	101,651	3,523,715	36,382,091	708,538	1,240,237
6.	Theninthary	74	49,202	1,233,196	13,828,995	309,178	357,793
7.	Bago	275	162,768	3,993,864	33,823,361	689,708	1,919,741
8.	Magway	182	107,167	4,348,372	36,353,085	963,320	1,372,937
9.	Mandalay	398	242,162	9,840	70,031,763	982,627	3,794,298
10.	Mon	87	82,217	2,893,452	21,642,138	465,646	1,098,822
11.	Rakhine	124	54,473	1,649,167	9,804,938	48,259	653,429
12.	Yangon	701	618,281	26,845,007	222,985,203	6,802,255	8,120,691
13.	Shan	152	89,059	4,968,183	38,297,394	1,100,581	1,168,964
14.	Ayeyarawady	229	167,367	3,744,640	41,832,516	938,762	1,357,082
Total		2,532	1,732,989	65,851,545	549,334,701	13,481,551	22,135,333

(K) = Kyat

Two states (Kayah and Chin made profits which were higher than the losses. In the rest the profits were lower and the losses higher. The total profit in 1990-91 was Kyats 13,481,551 against the losses of K. 22,135,555.