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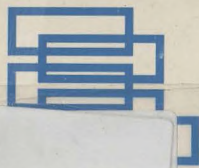
CO-OPERATIVE THINK

TANK CONSORTIUM

Pasig, Metro Manila
February 19-23, 1998



Organised by:
International Co-operative Alliance
Regional Office for Asia and the Pacific
New Delhi, India



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National Confederation of Co-operatives
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Report of the First Co-op Think Tank Consortium

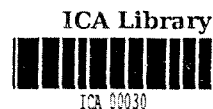
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International Cooperative Alliance
Regional Office for Asia & the Pacific, New Delhi



**Report of the
First Co-op Think Tank Consortium**

Manila Galleria Suites, Pasig City, Philippines

February 19-23, 1998

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Abbreviations

ADB	:	Asian Development Bank
ACFSMC	:	All China Federation of Supply and Marketing Co-operatives
APEC	:	Asia-Pacific Economic Co-operation
CCA	:	Canadian Co-operative Association
CDA	:	Co-operative Development Authority
CIDA	:	Canadian International Development Agency
CUP	:	Co-operative Union of the Philippines
CTTC	:	Co-operative Think Tank Consortium
DID	:	Development International Desjardins
ICA	:	International Co-operative Alliance
ICA-ROAP	:	International Co-operative Alliance, Regional Office for Asia & the Pacific
ICIS	:	ICA Co-operative Identity Statement
IFFCO	:	Indian Farmers' Fertilizer Co-operative Limited
ILO	:	International Labour Organisation
INCODAP	:	Indonesia Co-operative Development Assistance Program
JCCU	:	Japanese Consumers Co-operative Union
NACF	:	National Agricultural Co-operative Federation of Korea
NAFTA	:	North American Free Trade Agreement
NATCCO	:	National Confederation of Co-operatives
NCUI	:	National Co-operative Union of India
SANASA	:	Sri Lankan Thrift and Credit Co-operative Society
SMEs	:	Small and Medium Enterprises
SNCF	:	Singapore National Co-operative Federation

Acknowledgements

The Co-operative Think Tank Consortium (CTTC) was envisioned to set up a new era of partnership that will put the co-operative sector more sharply on the development map of stakeholders and related agencies as the new century dawns. It brought together in one venue reputed co-operative thinkers from the countries of Canada, United Kingdom and Germany; respected co-op practitioners from various Asian countries; representatives from partner agencies, advisors; and ICA officers and senior staff.

ICA ROAP extends its gratitude to its members whose support and contributions were most important to the organization and conduct of the CTTC: the National Confederation of Co-operatives (NATCCO) for agreeing to host the event; the Asian Development Bank (ADB) for its kind willingness to host CTTC participants and give them a briefing on the second day of the meeting; and to all participants who so graciously attended and whole-heartedly participated in the CTTC.

ICA ROAP and its co-host, NATCCO, also extend special thanks to the following institutions for their financial support which allowed the attendance of more co-operators in the International Speakers Forum in which lectures on co-operative development were given by three internationally known co-operative thinkers and experts:

The World Bank through its Small Grants Programme; and

The Foundation for a Sustainable Society, Inc., Philippines.

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**PART I
REPORT OF THE PROCEEDINGS**

Introduction

The Co-operative Think Tank Consortium was originally conceived in 1997 for the purpose of expanding the scope of ICA ROAP's Development Partners' meeting and to discuss broad-based issues of common concern to ICA ROAP and its stakeholders. Asia's recent financial crises, however, have overshadowed many other issues and have shown the need for a continuous reality check in the Asia Pacific Region. Macroeconomic trends, while revealing a picture of economic vigour for the emerging Asian Tigers, have nevertheless failed to readily disclose the underlying weaknesses inherent in many governments and corporations within the region. Moreover, the adverse social impact of the crises on low-income people who are largely the targets of co-operative development is not completely known. The Think Tank Consortium was convened to enable a more sophisticated analysis of the situation and the formulation of solutions appropriate to the problems and needs that would be identified and defined. In the end, the Consortium was expected to define a new 'Co-op Paradigm' which will observe at the same time the policy direction of the ICA Board and the development strategies of the ICA Development Trust.

The Think Tank Consortium brought together representatives from the ICA Board, ICA Membership, Partners, Advisors and Staff who together could enrich the ICA orientation and thrust in the Asia-Pacific Region and define a new Co-op Paradigm.

The expected outputs of the consortium were:

1. an enriched ICA development strategy for the Asia Pacific Region, re: critique on Preliminary ICA ROAP Planning Paper.
2. a definition of the new 'Co-op Paradigm' that will sharpen the focus of ICA ROAP's development strategy;
3. a shared/common agenda among all participating members and stakeholders of the consortium to enhance the image of co-operatives, and to make co-operatives in the region more self-reliant;
4. an identified list of value added roles ICA and its member co-operatives can play in the region.

Contents of the Report

This report of the First Co-operative Think Tank Consortium is presented in two parts - the main text which contains a summary of the papers and reports of the Consortium participants and resource persons and the Annexes which contain the full text of the papers presented. Important points, issues and reactions raised and taken up in the open forum following the paper presentations are, as may be necessary, also included in the main report.

The report is presented following the sequence and principal topic groupings of the CTTC agenda as follows:

1. Welcome, Solidarity and Keynote Addresses
2. "The Global ICA Policy and its New Development Strategies"
3. "Towards a Fresh Co-op Paradigm"
4. "Impact of Current Economic Crisis in the Regions - Ways Co-ops Adjust to the Changing Environment"
5. "International Co-operative Development Agenda: Sustaining Relevance of the Co-op Model in a Changing Local and Global Environment"
6. The Speakers' Forum
7. Workshop Results

Welcome, Solidarity and Keynote Addresses

Welcome Address by Robby Tulus **Regional Director, International Co-operative Alliance** **Regional Office for Asia and the Pacific**

Mr. Robby Tulus, ICA Director for the Asia Pacific Region, welcomed guests and participants of the First Co-operative Think Tank Consortium and extended a message of solidarity on behalf of ICA, the main organizer of the Consortium, and the National Confederation of Co-operatives (NATCCO), the co-organizer of the event. Mr. Tulus mentioned that the Consortium brought together a small group of reputed co-operative thinkers from Canada, United Kingdom, Germany, seven selected countries of Asia, and senior staff of ICA Geneva and Asia Pacific for a renewal of informed debates on strategic and fundamental issues affecting the role of co-operatives in development. The timing of the meeting was especially crucial inasmuch as the ongoing Asia Economic Meltdown was expected to have a definite impact on the business operations of co-operatives in the region.

Co-operatives, regardless of their strength, were reminded that they are not immune to the onslaught of the current Asian crises and that they should therefore be vigilant in defining strategies for growth. A workable 'Co-op Paradigm' founded on sound co-operative identity is needed. This means recognizing and practising the co-op values and principles, adopting value-based professional management, and working hard to achieve growth with equity. At the same time, networks with other bilateral and multilateral agencies as the ILO and those in North America and Europe should be expanded to enable all concerned to mutually seek reinforcing agendas for social and economic change in the region. It was also mentioned that it might be timely to start exploring possible partnerships with the Asian Development Bank to achieve mutually beneficial ends.

In parting, Mr. Tulus reiterated his gratitude to the guests and participants of the Consortium, giving special mention to the Asian Development Bank for agreeing to host the participants on the second day; NATCCO for co-organizing the event; the Canadian Ambassador, Mr. John Treleaven, for gracing the occasion, and the government of the Philippines as represented by the Hon. Jose Medina, Chairperson of the Co-operative Development Authority.

Welcome Address by the Hon. Jose Medina Chairperson, Co-operative Development Authority

Hon. Jose Medina congratulated the Consortium for holding the Think Tank Conference. He shared with the group his framework for a change process that can be adopted by the co-operative movement. This was the same framework used by community development workers like him forty years ago. The framework is embodied in the acronym AIDA where:

- A - stands for the creation of awareness on co-operative development particularly through the conduct of continuing dialogue and assemblies. In venues such as these, the think tank's knowledge of the concepts and principles of co-operation can be shared with the people;
- I - is for the interest that will be generated as a result of the awareness that has been created. Interest, however, will be generated only after repeated drumming of the concepts, principles and ideologies of co-operativism in the minds of the people;
- D - is for the decision that the people will have to make as a result of the awareness and the interest that have been generated. Hopefully, the people will decide in favour of co-operative development;
- A - stands for the actions that the people will take to translate into concrete terms the awareness, interest and decision that have been made.

Chairman Medina strongly recommended that the change process he described by adopted by the Co-op Think Tank, ICA ROAP and the world-wide co-operative movement as a slogan and a fighting philosophy. He also affirmed the commitment of the Philippine government to co-operative development and, in parting, again extended his congratulations to all the participants of the Consortium.

Message of Solidarity by Julian Payne Executive Director, Asian Development Bank

Mr. Payne extended his greetings of welcome to every one present. He then gave recognition to the pioneering efforts of the ICA in addressing development challenges in Asia through the co-operative approach. He affirmed that the ICA and the ADB, which share common objectives in promoting development in the region, can work closely together to attain the objectives.

Mr. Payne outlined four different ways in which the Bank can be seen as a partner, namely:

1. as a provided of development finance for co-operative projects;
2. as a client for a large number of development projects that the Bank contracts out to companies, NGOs and other qualified agents;
3. as a professional partner which has gained a lot of practical experience and knowledge on development through the years;
4. as a source of a wealth of information and statistics on the economy and social conditions of the Bank's 33 borrowing member-countries in Asia and the region in general.

In parting, Mr. Payne expressed his hope that the visit of the Consortium to the ADB the next day will be a learning experience for the group and that they will be able to develop some contacts that can, as a consequences, be nurtured into continuing working relationships with the Bank.

Keynote Address by H.E. John H. Treleaven Canadian Ambassador to the Philippines

Ambassador Treleaven described to the group the experience of Team Canada, a mission that the Prime Minister of Canada has led to various countries ever since the first Team Canada made a visit to China in 1993. In that visit, an unexpected \$8 billion worth of commitments were signed between China and Canada. The success of the mission was attributed to the co-operative manner in which it was planned and conducted. The people who participated in the mission, especially the hundreds of businessmen who joined the trip, worked closely with their Canadian and Chinese Partners to ensure that the mission achieved maximum impact. Encouraged by the results, the Team Canada approach was then adopted as a co-operative activity to maximise participation of Canadian communities in economic development. Prior to his posting to the Philippines, Ambassador Treleaven was part of the group whose task was to mobilise all of Canada's communities and sectors towards achieving the same goals, much as those in the co-operative movement do so with the communities they work with.

The Ambassador pointed out that there is so much that can be achieved through collective action. In fact, the co-operative movement is one of the happy links between Canada, the Philippines and neighbouring Asian countries which not only strengthens the relationship between and among them but also contributes to their prosperity and social justice. The crisis that many Asian countries are presently experiencing was a situation that Canada went through in the late '80's and early '90's. The effects of the crisis on Canada's economy were basically the same as those felt in Asia today : runaway inflation and interest rates and high bankruptcy and unemployment rates, among others. It is in this kind of situation, however, that co-operatives show their most impact. In fact, in most parts of the world, the co-operative approach is taking on significant importance as a means to ensure that peace and equity are attained and maintained in society. In Canada's case, it has been able to weather and emerge from its crisis with a revitalized economy through a lot of restructuring and the willing sacrifice of its people.

Ambassador Treleaven affirmed the relevance of the CTTC meeting especially as it will be focusing on the issues of governance and civil society. Co-operatives, he said, offer the potential for demonstrating the application and the practice of democracy, thereby contributing to the creation of a stronger civil society, able to monitor and influence the exercise of good governance. He further noted that both Canada and the Philippines bring to the meeting their positive experiences in co-operative development. CIDA for its part has, for many years now, worked in partnership with co-operatives in Canada in strengthening some of the co-operatives of Asia. It is with interest, therefore, that CIDA views the efforts of the co-operatives to adapt to the changing trends and forces for change at work in their respective societies and looks forward to a continued collaboration with them in the process.

In the open forum that followed Ambassador Treleaven's talk, some lessons from the Canadian crisis experience were shared by the Ambassador and participants from Canada as points of learning from which lessons can be taken by those going through the same experience in Asia today. These included the following:

1. Some models of co-operation came out of the Canadian crisis, primary of which are the business and government models. The Business Network Coalition was formed by the Canadian Chamber of Commerce in partnership with the government of Canada and envisioned businesses working together and forming strategic alliances for their common good. This model of co-operation has been able to support businesses in furthering some of their interests.

The Alternative Services Delivery Program, on the other hand, comprised the co-operative government model and was one of the ways used to deal with the crisis. Under the program, responsibility for some of the services that government was providing was to be devolved to local communities. Co-operatives together with the trade union movement and the public services sector were able to forge a fruitful relationship under this model by taking over some of the public services that had been privatised by the government.

2. Asian countries affected by the currency crises should accelerate the move towards free trade. In Canada, the Free Trade Agreement and NAFTA were the main catalysts for the successful restructuring of industry to global standards.

3. There are five tactical points that should be considered when looking at the way Canada recovered from its crisis: a) continuance of the right economic fundamentals; b) promotion of international trade by which the number of exporters was doubled; c) enhancement of the flow of technology to Canadian companies; d) promotion and provision of support to SMEs; and e) the implementation of an internship program for Canadian youth to reduce the unemployment rate.

Reports and Papers Presented

The Global ICA Policy and its New Development Strategy

The session on the ICA Global policy and development strategy was presented by Mr. Bruce Thordarson and Bjorn Genberg, respectively. Mr. Thordarson discussed the general thrusts and direction of ICA at the global level while Mr. Genberg presented the development approach that ICA is currently taking to become more relevant and effective to its worldwide co-operative constituency.

I. ICA GLOBAL POLICY

1. To provide the context in which ICA's global policy has been formulated, Mr. Thordarson reviewed the five core functions of the ICA, which are:
2. To promote and defend co-operative values and principles shared by the membership.
3. To provide a forum for organisations collaborate or come together.
4. To spread information.
5. To act as a catalyst for development of co-operative structures especially in developing countries.
6. To be a spokesperson of the co-operative movement in front of the United Nations and national governments.

The ICA's present and future thrusts are embodied in a set of priorities that were drawn up by the ICA Board in 1995 after a review of the core functions of the organisation was made and as identified in the inaugural speech of Mr. Roberto Rodrigues, the present ICA president, as areas of concern still needing ICA's attention.

Presently, ICA's priorities include: 1) liaison with its specialized organisations; 2) gender issues; 3) communications (both internal and external); 4) establishment of the ICA Development Trust; 5) membership expansion; 6) review of rules and subscriptions; and 7) liaison with the UN.

Looking ahead, the ICA has also listed among its priorities: 1) strengthening of the co-op identity; 2) further specialization and integration with its structure; 3) increasing participation of women and youth in co-operatives; and 4) strengthening of its development agenda in Africa. Also, as a result of the changing needs of its members, new priorities have been defined including development of co-op business opportunities, environment and stronger UN relations.

ICA Development Policy

The ICA global development policy, which dates back to 1983, is in the process of being reviewed and revised to strengthen ICA's role in co-operative development and to enable co-operatives to address the issues created by the new environment. A draft strategy was prepared in November 1997 and was discussed at a meeting of the Advisory Board of the ICA Development Trust in December of the same year. Also, the regional programme in East, Central and South Africa was reviewed by an external team.

Both the Advisory Board and the review team strongly recommended that ICA sharpen its focus of the development programme by limiting the types of activities or interventions that will be undertaken. As a result, the number of core areas for the ICA development programme has been further narrowed and a second draft of the strategy produced. What has been produced, however, is more of a global policy rather than a strategy, taking into account the vast differences between regions. The differences will be reflected in the regional strategies, which will be derived from the policy.

The draft policy will be discussed by the board of the ICA Development Trust in April 1998, and a final version of the policy will be presented at the board meeting in October.

The policy, which includes a reaffirmation of ICA's development objectives, a definition of ICA's role in co-operative development, and a presentation of ICA's core areas, is meant to serve as a set of guidelines and general directives expressing the ideals, intentions and attitudes of the organisation. It is also intended to serve as a framework and guideline in the formulation of regional development strategies.

The development policy expresses the co-operative's values as embodied in the ICIS. It affirms the belief of the ICA that the application of the values and principles contained in the Co-operative Identity Statement into the day to day operations of the co-operative movement will enhance the image of co-operatives among the public as well as provide a commercial advantage in an increasingly competitive environment.

The policy defines ICA's role in co-operative development as follows:

- ICA shall be a catalyst and facilitator for the co-operative development process in the Third World. The ICA development programme is also aimed at ultimately strengthening the primary society and its membership. This means that the promotional activities carried out by the ICA at the national and regional levels should be able to reach and have a definite impact at the primary level.
- ICA shall discriminate in favour of those collaborating partners, type of interventions and methods, which after careful analysis promise to have the greatest impact for the individual members. ICA believes that it can't and should not work with primary societies. It, however, encourages work towards this direction and will discriminate in favour of partners which have the most impact at the primary level.

Mr. Genberg also mentioned that through networking and the formation of strategic alliances, ICA shall see to it that all possible resources and forces for co-operative development are combined.

The core areas, which have been made sharper in focus in the new development policy, include:

- Co-operative identity and image. The ICA shall assist co-operatives in strengthening the co-operative identity and advise them on how to put the co-operative identity into practice, thereby enabling them to employ and profit by the comparative advantages of a true co-operative organisation. Moreover, ICA shall assist its member organisations to dispel the negative image of co-operatives and promote a greater understanding of the basic co-operative values and how they operate in practice, consequently contributing to a favourable milieu for co-operative growth.
- Business development. ICA shall continue to monitor the co-operative environment and through various information and awareness raising measures alert co-operators on the character and implications of changes affecting them. ICA shall likewise assist co-operatives in enhancing their capability to develop appropriate business strategies and plans for existing as well as new business areas.

- Value-based professional management and leadership. ICA shall assist co-operatives to make their leadership and management more professional and advise them on how the co-operative values and principles are to be put into practice as a business tool in their particular environment. It is important that mainstream management is exploited and that the business and communal objectives are harmonized in the process.
- Government policy and legislation. ICA shall, through dialogue and other relevant means, advise governments on the benefits of an independent co-operative movement and encourage them to adopt policies and legislation that will permit the emergence and continued progress of genuine co-operatives. ICA shall also assist co-operative movements in engaging themselves in this process, in order to provide for a participatory policy and law making processes and help them in defining and establishing appropriate and constructive relations with their governments.

Within the core areas, several cross-cutting issues were identified, the most important of which are gender, dissemination or exchange of experiences, and development of new methodologies.

With regards to gender, ICA shall encourage co-operators to take a firm position, in principle and in practice, for the full integration and effective participation of women in co-operative affairs. Moreover, dialogue with women co-operators shall be intensified and support given to their efforts for increased participation in decision-making, and co-operatives shall be assisted to design and implement sound gender sensitive programmes.

ICA deems it important to disseminate useful experiences that are gained within the identified core areas and sees itself as well placed to do so through its various networks and special sector organisations. Furthermore, ICA sees itself as having a special obligation to see to it that new approaches and methods are developed for the set of challenges and problems that co-operatives may face.

Finally, the development policy gave recognition to the need to expand the resource base of the ICA Development Trust. To do so, ICA shall, as an immediate priority, convince all its member organisations that the development of co-operatives in developing countries is a concern for the global co-operative community and initiate concrete resource mobilization activities among member organisations in developed countries. ICA shall also take measures to expand its present group of development partners who are able to contribute financially to the development programme.

Open Forum Discussions

In the open forum that followed, debates proceeded and clarifications were made on the following points and issues:

1. government relations: partnerships between co-ops and the government should be based on terms that put both partners on a position of equality and not those that put co-ops on a lower level.
2. new areas where co-ops could be promoted: this includes looking into business opportunities that will add value to co-op membership within the context of the new market conditions and environment.
3. multilateral agreement on investment: points to a need for consolidating co-op activities and forming strategic alliances to give co-ops a competitive edge against businesses that are organised and are mobilizing financial resources globally. At the same time, there is need for the creation of a favourable environment which will level the playing field for investment, trade, etc.

4. leading by example: this relates to the need for developing measures by which successes of genuine co-ops can be emulated and applied in other co-op societies.
5. flexibility in integrating co-op concepts: at the ICA level, this redounds to the question of how selective can ICA be in practising a more liberal policy or simply, can it practice what it preaches? At the co-op level, this relates to the question of how far the concepts can be integrated without the co-op losing its profile.
6. impact at the primary level: it was made clear that ICA cannot work with primaries but it encourages work towards this direction. What ICA does instead is to choose partners that have the best impact at the primary level. ICA is also looking into expanding its membership to national sectoral federations which would make it easier to bring down the international co-op message to the members.

II. TOWARDS A FRESH CO-OP PARADIGM

A discussion paper that proposes the development of new co-op strategies in the region was presented by Robby Tulus. The strategies were outlined in an interim long term plan formulated by the staff of ICA ROAP and submitted to the Consortium for critiquing.

ICA ROAP's long-term goal is to contribute to the successful adaptation to the changing socio-economic environment of at least 20% of its member organizations in the region by the year 2002. As a sub-goal, it seems to generate sufficient resources to sustain the development programs and operations of its regional office. As such, six key results areas were identified as follows: 1) policy development and legislation; 2) leadership and value-based professional management; 3) trade and business development; 4) women empowerment and gender mainstreaming; 5) food security and the environment; and 6) consumers co-operative development. Other development partners' priorities which support or complement the aforementioned KRAs will also be given due consideration. Some project ideas which can be instrumental to meeting the KRAs were also presented for the following sectors: policy/legislation; leadership/professional management; trade; women/gender; and food security/environment.

Open Forum Discussions

In the discussions that followed the paper presentation, several issues were identified as important and should be considered in defining the new 'Co-op Paradigm', namely:

1. transformation of co-op systems from state-sponsored to member-based;
2. concept of stakeholders which would include not only the members but also employees and development partners;
3. organizational design of co-ops which should be based on the central objective of member promotion;
4. co-op governance of inter-relationship between different co-op functionality;
5. relationship with government;
6. relationship of co-ops in a free market;
7. strategic alliances with the private sector;
8. co-op development fund
9. strengthening of co-op technical capabilities;
10. sustainable self-reliance;
11. development of yardsticks for measuring success.

III. IMPACT OF THE CURRENT ECONOMIC CRISIS IN THE REGION AND WAYS CO-OPS ADJUST TO THE CHANGING ENVIRONMENT

Impact of the Current Economic Crisis in the Region

Case presentations on the impact of the current Asian economic crises on co-ops in seven selected countries in the region were presented by representatives from Singapore, India, Korea, China, Indonesia, Sri Lanka and the Philippines.

Countries in Singapore, Korea, Indonesia and the Philippines share a common experience with respect to the impact of the Asian crises in their economies. The difference lies only on the degree to which the effects have been felt. Currency devaluation, tight bank credit and high interest rates, decline in the stockmarket, rising cost of consumer goods and farm inputs, industry slowdown and downsizing are among the concomitant results of the crises in these countries. The crisis in Indonesia, however, has been worsened by prolonged drought, forest fires raging in many parts of the country, and poor government response to the crisis. So far, Indonesia is the worst off among the Asian countries impacted by the crises.

Co-operatives, on the other hand, have been able to hold their own against the crises and the impact on them has been relatively less. In Singapore, NTUC Fairprice, its supermarket co-operative, continues to show growth although at a more modest rate; NTUC Income, one of the insurance co-operatives in the country, while suffering a loss in some of its investments has, nevertheless, been able to put up sufficient reserves to cover its losses. The largest impact, however, has been felt by the country's housing co-operatives because of considerable softening in the property market. The impact of the crises on credit co-operatives both in the Philippines and Singapore is more defined. There has been an increase in withdrawals to take advantage of higher bank interest rates on deposits; higher default rates on loans; and cautious lending on the part of the co-ops. In Indonesia, co-operatives which are used to being sheltered by the government are finding it hard to cope with the crisis as the government has withdrawn some of its protection.

In response to the changes, co-ops in the three countries have taken the resulting situation as an opportunity to improve business efficiency and management; seek strategic alliances and linkages; and improve the capabilities of their human resources. In Indonesia, initial steps have also been taken to set up a foundation that will promote the right understanding and perception of co-ops. It is worthwhile to note that in the discussions, the resiliency of co-ops to weather the crises and come out on top of it has been attributed to the faithful practice of the ICIS.

The IFFCO and SANASA Experience

The discussion on the Indian and Sri Lankan experience in co-operative development highlighted the success of a co-operative enterprise in each of these countries. The Indian Farmers Fertiliser Co-operative Limited (IFFCO), a multi-state co-operative society in India which is about to become the world's largest producer of fertiliser in the coming year, presents an interesting model in co-op development and value-added management. As described by Dr. Kumar, IFFCO's success can be attributed to the development strategies it has adopted and put in place included: the practice of sound economic principles thus ensuring that good economic returns are achieved; sustainable development; promotion of functional linkages; and being able to seize the opportunities offered by the new environment.

Similarly, SANASA presents another model in co-operative development but in the credit sector. Although it is considered a bank in Sri Lanka, its focus is still the primary society with 100% direct participation by the members. It prides itself in reinvesting its savings in the rural sector while other banks take away savings from the rural areas.

Both the IFFCO and SANASA experience demonstrate the competitiveness of the co-op sector and its capability to take up challenges arising out of economic reform.

Co-operative Development in China

Chinese co-operatives, on the other hand, are in the process of transforming themselves from state-sponsored to member-based organizations. Reforms have been initiated to strengthen and move the country's co-operatives towards this direction and include:

- making co-operatives truly farmers' economic organizations;
- establishing diversified specialized co-operatives that comply with the market;
- accelerating the steps of co-operative legislation;
- reforming co-operative enterprises to meet the needs of the new market economy;
- rapid development of foreign businesses; and
- seeking government support while maintaining self-reliance.

Through the reforms that have been initiated and their abiding faith in the effectiveness of co-operatives to deliver needed services to the people, Chinese co-operatives are confident that they will be able to meet the challenges of the 21st century. In parting, the Chinese representatives also expressed their wholehearted support to ICA ROAP.

IV INTERNATIONAL CO-OPERATIVE DEVELOPMENT AGENDA: SUSTAINING RELEVANCE OF THE CO-OP MODEL IN A CHANGING LOCAL AND GLOBAL ENVIRONMENT

International Perspective From: The Canadian Co-operative Association (CCA)

The Canadian Co-operative Association's model of co-operative development is based on the given premise that co-operatives function according to a set of clearly defined, internationally recognized principles. Within this context, the model defines four key factors that should be considered in using the co-operative enterprise as a tool for business development, trade and education. The factors are inter-related and constitute a process that has the objective of developing self-reliance in the partner organizations. The factors or elements of the model are:

Partnership : CCA's partnerships are developed and operate on several levels - people to people, co-operative to co-operative, and movement to movement. In every case, there is a shared commitment by the local partners and CCA to build a relationship and successfully achieve locally defined co-operative development objectives. Input to the partnership is supplied by CCA on such policy issues as the rule of women, opportunities for youth, literacy, AIDS and the environmental impact of the project. Through CCA's technical co-operation and exchange missions, the mutual education of Canadians and its overseas partners are enhanced.

Institution-Building : CCA aims to build lasting, sustainable institutions that can continue to serve the people for years, and as such, often works with second and third tier co-operatives in order to provide human resources development and funding to the greatest possible number of primary co-operative members. It works to encourage collaboration and integration among co-operatives.

Co-operative Enterprise : CCA's partnerships are with member-owned and democratically controlled co-operatives which mobilize human and financial capital and contribute to the economic strengthening of

their communities and regions. In furtherance of co-operative enterprise development, CCA supports and encourages international commercial co-operation.

Self-reliance : CCA participates in fixed-term projects to facilitate the viability and long-term sustainability of its partner organizations.

The Co-operative Development Foundation (CDF) provides CCA, its development unit, with cash contributions necessary and required by CIDA to leverage funds for development work. Members give charitable contributions to the foundation which, in turn, are used for specific projects in CCA's development program.

It was also mentioned that CCA works in synergy with the ICA and other development partners by having joint programmes; recognizing each other's interests; developing linkages particularly for the promotion of viable people-based co-ops; and bringing micro-enterprise and micro-finance into the co-op domain.

International Perspective From: The Developpement internationale Desjardins

Going into the 21st century, the most critical question confronting credit co-operatives is that of whether financial co-operative networks will be significant socio-economic stakeholders of the new millenium. There are important issues related to this question that will affect the end-result, particularly: the co-operative's legal framework; sufficiency of the co-op's capital; application of present-day technology; availability of qualified human resources; and co-op supervision and regulation.

Financial Co-operative Networks have added value compared to banks in terms of: having a collective equity; having a democratic management which is geared towards being responsive to the members' needs; being an economic education tool; having a local development orientation; and having a huge and lower-risked market comprised of individuals and households. However, to remain competitive, there is a need for financial co-op networks to adapt and formulate appropriate responses to changes in the environment particularly: the decline of traditional banking; globalization; needs of the emerging economies; issue of sound management; and risks mitigation strategies.

Finally, it was noted that the issue of supervision and regulation should take into consideration several important factors, including: basic principles such as implementation and enforcement of laws; context analysis; technical factors; and the limits of supervision.

International Perspective From: The Japanese Consumers' Co-operative Union (JCCU)

JCCU's policy on international collaboration aims to contribute to the global development of co-operatives and solutions to various world problems which will make for a peaceful world and a better life for the people. To achieve this goal, JCCU has set up the following tasks:

- To promote various collaborative activities for co-operatives in Asia to sustain self development. Towards this end, JCCU has been implementing bilateral projects with counterparts and multilateral projects through ICA ROAP. With respect to the bilateral projects, JCCU has provided direct support to co-operatives in the nearby countries of China, Korea, Vietnam and Mongolia. On the other hand, multilateral projects implemented through ICA ROAP receive full financial support from JCCU and include the Consumer Co-operative Development Project and the Gender Integration Project.
- To promote a wide range of activities for international collaboration among individual members in Japanese consumer co-operatives as a global citizen. Among the various activities for international collaboration which have been set up are the Fund Raising for UNICEF and international cultural exchange programs.

- To enhance exchange of experiences and knowledge of running co-operatives with other countries and to contribute to the strengthening of the functions and programmes of the ICA.

JCCU has set several new directions for its international development programme, including:

- Gender and youth. JCCU members would like to contribute not only to the development of the consumer co-op sector, but also to the promotion of gender and youth activities. JCCU provides support to the Gender Integration Project of ICA ROAP and provides assistance to co-op youth activities in the region.
- Synergy between ICA and the Japanese model of co-op development. JCCU will continue to contribute to ICA ROAP's development of consumer co-operatives and to generate synergy between the bilateral programmes and ICA's multilateral activities.
- Synergy with other development partners of ICA ROAP. JCCU would like to learn more from more experienced co-operative organizations such as SCC, CCA and CCD in order to be able to formulate more strategic and effective programmes in the region and improve the co-operative movement.
- More communication with primary societies. JCCU would like to develop more direct relationships between primary co-op societies in Japan and those in other Asian countries. In doing so, it expects that ICA will be able to provide information and facilitate communication with the primary societies.

International Perspective From: The International Labour Organization - Geneva

The International Labour Organization (ILO) viewed its participation in the Co-operative Think Tank Consortium as an opportunity to develop new partnerships with co-operatives in the Asia-Pacific region; pave the ground for a reinforcement of the co-operation between the ILO on one hand and the ICA and the co-operative movements from Asia and the Pacific on the other hand, to contribute to the development of existing co-operatives and to the promotion of new ones; and conduct a reflection on the common attachment of the ICA and the ILO to social justice and economic progress for all workers, including those who come together in co-operatives in order to improve their income and living conditions.

The ILO implements its co-operative programme through the Co-operative Branch in its Enterprise Department, which is responsible for a considerable percentage of the ILO's technical co-operation operations. The programme is based on three strategic orientations which have been identified by the ILO Governing Body as priorities for the whole office. These are: protection/promotion of democracy and the fundamental rights of workers; promotion of employment and the struggle against poverty; and protection of workers.

The promotion of democracy at the local and national levels is central to the concerns of the ILO's co-operative programme, which adheres to the universal co-operative principles of respect for self-management, democratic control and independence. Recognizing that co-operatives are an efficient mean to the equitable access of men and women to social and activities, the Co-operative Branch works with the ICA, notably in the development and application of policies and programmes in favour of women co-operators.

As producers of goods and services, co-operatives assume a vital function in job preservation and creation. They constitute a kind of human and business organisation capable of bringing appropriate and efficient answers to the employment challenge of today's world, which is one of the important concerns that the ILO seeks to address.

The ILO's co-operative programme also includes an important component which is designed to ad-

dress the issue of poverty. It has conceived, tested and popularised a methodology and techniques for local participatory development which have enabled rural populations, often the poorest, to become involved in a responsible, competent, and productive manner in local-level economic and social activities. Likewise, disadvantaged groups, organised into co-operatives, have become involved in activities which satisfy their very diverse, basic needs such as food security, housing, drinking water, and elementary education.

With respect to worker's protection, many mutuals which are part of the Social Economy, like co-operatives and associations, benefit from the support of the ILO to promote social services; the goal being to provide disadvantaged populations with an efficient social protection based on their own existing dynamics of self-organisation. Human resource development activities have also been carried out worldwide. Furthermore, it was noted that ILO has the capability and the will to be concerned with respect of workers' fundamental rights.

In the present regional environment, three key issues greatly influence co-operative development. These are:

- employment creation and poverty alleviation through co-operatives;
- co-operative human resource development;
- general policies on co-operative development, co-operative legislation, revision and evolution of the relations between co-operatives and the State to create a favourable climate for co-operative development.

These same issues form part of the core mandate of the ILO co-operative programme which is prepared to co-operate with the ICA, the co-operative member organizations and the development agencies to develop appropriate actions and activities related to these issues.

Speaker's Forum

Speaker's Forum

Representatives from co-operatives, non-government organizations, and government agencies were invited to listen and react to the presentations of three specialists in co-operatives from the academe. The speakers and their topics for discussion were as follows :

Dr. Ian MacPherson, Victoria University, Canada
Dynamics of Co-operative Development

Dr. Peter Davis, Leicester University, UK
Value Based Professional Management in Co-ops.

Dr. Hans Munkner, Marburg University, Germany
Translation of New Co-op Principles to Legal Norms

In the Dynamics of Co-operative Development, Dr. MacPherson presented a way of sorting out the complexities of co-operatives in an orderly fashion. Co-ops, he said, are wonderful and complex organizations. But often, people fail to see that, reducing co-ops into simple ideas. He identified the dynamics of co-op development in terms of spheres, perspectives, cultures, and stages. Co-ops function in the four main spheres of members, structure, community, and management. Each one needs due attention in order to avoid mistakes. The Co-op Identity Statement and the Co-op Principles are not limiting, in relation to these spheres. Rather, they show how to deal with those spheres. On the other hand, three types of perspectives on co-op development determine how people approach the spheres. These perspectives may see co-op development as a movement, as situational, or as adaptations to the environment. Next, co-ops tend to demonstrate three types of cultures, which can be populist, managerial, or structural. Finally, there are stages in co-op development, which are the formative, the national, and the international stages.

Value Based Professional Management in Co-ops by Dr. Davis proposes that co-operatives can be better than corporations in the practice of modern management ideas. These ideas will help co-ops in the market context, to become competitive and to provide social justice. Corporate management must live with the tension of serving the shareholder and the customer. And when a choice has to be made, corporate management must choose the shareholders first. Co-ops don't have that problem. In co-ops, the conflict between customer and owner is reduced. Co-ops also work on the basis of mutuality, a situation that will enable co-ops to maintain standards of quality and service. Finally, co-ops have the Co-operative Identity to live up to. Co-ops must then work towards developing a management which understands that they are managing a membership based organization with a social purpose, a market economy, and that there is no contradiction in having a social purpose in a market economy.

Dr. Munkner in his Translation of New Co-op Principles to Legal Norms, states that the new statement of the ICA on Co-operative Identity makes possible what for a long time has been very difficult: As long as co-operatives were left undefined, it was difficult to criticize law-makers and policy-makers for

not respecting features of co-operatives which were left in the dark. After the Manchester congress, it is now possible to translate a clear concept into clear rules and legal norms. Law-makers who want to improve their national co-operative legislation can now do so by placing emphasis on the characteristics of co-operatives which sharpen their profile and which stress their uniqueness as a special form of doing business and working together. The law-makers should keep in mind that co-operative law is made for co-operators and not for lawyers and accordingly should be written in simple language that ordinary people can understand. Co-operative law will only serve its purpose, namely to encourage good co-operative practice and to discourage risky and dangerous activities, if it becomes a 'law in action.' To achieve this goal, the co-operators must be associated with the development of the legal norms governing their co-operatives. Finally, Dr. Munkner warned not to over-emphasize the importance of co-operative law for co-operative development. Even the best co-operative law is no guarantee for co-operative success. The success of co-operatives depends in the first place on the quality, devotion and discipline of the co-operators and their leaders. A good co-operative legislation can facilitate co-operative development but cannot replace the personal efforts of those who wish to co-operate.

The presentations were followed by questions from the audience. The questions and responses were:

1. *Are there appropriate types of management for different levels of co-operative development?*

There can be different models of management and management cultures operating in different organizations at different stages of development. But it is really more a matter of size, than level, as to what sort of management culture to have.

2. *Would there be the possibility that co-operatives would move towards becoming more like corporations?*

Number one, the legal form of co-operative is definitely not only the way of putting co-operative principles into practice. Second, research shows that implementing co-operative philosophy in corporation or company structure, will not bring a way out of the problems being avoided, because there will still be the same problems as in the other structure.

On the other hand, there was a debate when the code was up, whether non-co-operative, non-profit organizations could also join, for instance secondary societies. The philosophy is as follows: there is service orientation in co-operatives and in non-profit organisations; and because they have the same attitude of service orientation, they should also work together. But the service orientation in co-operatives is member oriented, whereas the service orientation in non-profit organizations is oriented to the public. There is a difference.

3. *Can co-operatives do business with non-members?*

The question of members only or members mainly is not a rigid thing. It is a direction, a guideline. From the experience gained over the years, if you have business with non-members as a routine method, you devalue membership, as you invite free riders. It would be absolutely nonsense to become a member for a service that you can get as a non-member. In some countries, for instance in France, they have created intermediate structures. Translated, they are called users. They can be non-members and use the co-operative for three years. After three years they have to decide whether they join or get out. This is, a reasonable way of controlling business with non-members, under the aspect of recruiting new members, because new member recruitment through testing is good. But making business, simply because you want to make business, irrespective of member or non-member, turns you into an effective enterprise, but not a true co-operative.

4. *In Asia where most co-ops are providing credit and other services, does total quality management (TQM) apply?*

It is not a service or production issue at all. Indeed, it is probably applied as widely in service sector areas as it is in manufacturing, because a lot of service sector areas are perhaps culturally more directly related to the consumer. So there are perhaps more total quality management practiced in the service sector.

5. *How does management by culture work and does it apply to value based management?*

The issue of culture management is one that takes up a lot of the management literature today. But it is a very important issue in relation to ensuring that the unity of purpose of the staff, the management, and the membership. And that culture is really about shared values.

It is also a perspective that comes out of special situations. And that would influence very much the form of management that is taken.

On the other hand, co-operatives are very often used as a mechanism to preserve ethnic identity. There are co-operatives where only people of a certain group belong.

6. *How does co-operative management differ from a standard MBA?*

It is looking at the environment and it is driven by co-operative values and principles. With normal management training, the concept is that the organizational needs drive and determine management. The second thing is the analysis of the environment. When analyzing the environment for strategic management purposes, in a normal company, this is done from the point of view of capital. In a co-op, the needs of the members and the co-operative values have a major impact on your definition and analysis of the threats and opportunities that you see in the environment. The third element where it differs is in terms of the culture of what it is to be a manager. The culture of mainstream management is a power driven culture, where you are encouraged to try and succeed at all costs, to be in charge, to have a huge salary, to be one of the movers and shakers in the world. The power centered culture of management is not appropriate to a co-operative management approach which sees managers as leaders that serve. Finally, co-operative management is much more participative in its approaches.

7. *Are co-ops justified to be politically involved?*

In the United Kingdom there are twenty-six co-operative MPs. There is a co-operative party, which is a very valuable thing. And to think that co-operatives can operate outside the political terrain is actually rather naive.

Workshop Results

Workshop Results

The following questions were presented for discussion in the workshops:

1. What specific actions could the region undertake to assist national organizations enhance the capacity of people to control more effectively their co-operatives?
2. What more can be done at the regional level to communicate the concept of the co-operative's identity to: a) governments; b) members of local co-operatives; c) the general public?
3. What are the key elements for the enrichment of the Asia-Pacific region of ICA development strategy?
4. How far can we identify partnership as playing a key role in the new paradigm for co-operative development?
5. What should be the priorities for developing sector level responses to the environmental challenges facing co-operatives in the region?
6. How to create more room for co-operatives under present day conditions? Side-track co-op law if felt too restrictive and cumbersome by using other legal patterns, e.g. co-op company? Or lobby for improved co-op legislation?
7. Does withdrawal of the state from co-operative development mean for co-operatives to be abandoned or to be liberated?
8. How can co-operators be prepared for their new role as self-reliant, self-responsible actors in a free world environment?

The following responses were presented. Not all the questions were answered. The responses can thus be treated as pertaining to those issues that are closer to the participants' concerns.

What specific actions could the region undertake to assist national organizations enhance the capacity of people to control more effectively their co-operatives?

- continued advocacy by ICA with governments and the public regarding the Co-operative Identity Statement;
- do case studies, consultative research, and country analysis;
- facilitate pilot projects, and ensure no duplication;
- find a way so that the Co-operative Identity Statement will be generally recognized such that its existence cannot be denied especially by governments;
- provide more training on consultation and communication;
- strengthen agri-based members who are the main members in the rural areas;

- improved co-op legislation;
- enhance economic viability through the development of a professional co-operative management.

What are the key elements for the enrichment of the Asia-Pacific region of ICA development strategy?

- strengthen the impact and voice of the ICA,
- good relations with governments,
- management and leadership training,
- identifying markets,
- dealing with national agencies.

How far can we identify partnership as playing a key role in the new paradigm for co-operative development?

- Establish strategic partnership/alliance along the following criteria and areas:
 - conformity in objectives and ideals,
 - movement to movement,
 - commercial, government, and donor agencies with the ICA acting as coordinator or agent,
 - long term perspective,
 - commercial partnerships to fill up gaps in expertise within the movement
 - ICA will build a database and share information on good examples.
- Proceed from the knowledge that partnerships are needed because one can't do everything.
- Determine how the internet can be useful in building partnerships.

Does withdrawal of the state from co-operative development mean for co-operatives to be abandoned or to be liberated?

- Co-operatives are liberated. First, because co-ops, as in China, fill a gap between farmers and government. Second, because those co-ops which die or become dormant have not been viable from the beginning and often have inadequate management.

Evaluation of the Meeting

The following assessment of the CTTC meeting were summarized from the oral responses of the participants, to a request for an evaluation by the ICA ROAP Regional Director, Mr. Robby Tulus. The evaluation was the last part of the meeting. All participants responded to the question individually. They spoke freely of their impressions about the meeting, given that the question was unstructured, being simply stated as “your evaluation of the activity.”

More time needed : This referred to a desire for more workshops and networking time.

Depth preferred to breadth : The suggestion was for more focused discussions on fewer topics. Some participants mentioned specific directions, such as concentrating more on strategy, and dealing with co-ops by sector.

Provides dynamic and precise input : Most participants were impressed that the meeting allowed them to discuss problems and possible solutions concerning current issues and events. A consensus was even reached to hold national Think Tanks leading to the ICA general assembly. This opportunity also served as the backdrop for the desire for more time and depth.

Serves as a foundation to start partnerships : This was stated in relation to the precise information that the participants brought to the meeting.

Very helpful resource persons : This referred to the involved participation of three experts and practitioners on co-operatives.

Finally, the participants also mentioned that they wanted to receive copies of the meeting’s documentation.

**Report of the
First Co-op Think Tank Consortium
Manila Galleria Suites, Pasig City, Philippines
February 19-23, 1998**

PART II

ANNEXES

LIST OF PARTICIPANTS

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Programme

Wednesday, 18 February

Arrival of Participants
Venue : Manila Galleria Suites
One, ADB Avenue, Ortigas Center
Pasig City, Metro Manila, Philippines 1655
Phone: (63-2)633-7111; Fax: (63-2)633-2824

Thursday, 19 February

- 09.00 - 09.30 Official opening of Co-op Think Tank Consortium
Welcome and Solidarity Address by : ICA, CDA (Government of the Philippines) and ADB
* Robby Tulus, Regional Director (ICA ROAP)
* Jose Medina, Chairperson, CDA
* Julian Payne, Executive Director, ADB
- 09.30 - 10.30 Keynote Address by H.E. John H. Treleaven, Canadian Ambassador the Philippines.
- 10.30 - 10.45 Nutrition Break
- 10.45 - 12.45 "The Global ICA Policy and its New Development Strategy"
* Bruce Thordarson, Director, ICA
* Bjorn Genberg, Development Director, ICA
- 12.45 - 14.15 Lunch Break
- 15.15 - 15.00 "Towards a Fresh Co-op Paradigm"
Renewing Co-op Partnerships to Generate Valued-Added Services to Co-op members in the Asia-Pacific Region (An Introduction of oICA ROAP's Perspective Plan)
* Robby Tulus, Regional Director (ICA ROAP)
- 15.00 - 16.00 "Impact of Current Economic Crisis in the Region and Ways Co-ops Adjust to the Changing Environment"
Case Presentations by ICA Members in Asia and the Pacific
* SNCF - Singapore - Tan Kin Lian
* NCUI - India - B.S. Vishwanathan
* NACF - Korea - Shil Kwan Lee
- 16.00 - 16.30 Nutrition Break

- 16.30 - 17.30 Case Presentation (Contd)
- * ACFSMC - China - Mr. Li Bao Rong (on behalf of Mr. Yang Deshou)
 - * IFFCO - India - Dr. V. Kumar
 - * Indonesia - Dr. Ibnoe Soedjono (Consultant)

19.00 - 21.00 Welcome Dinner - Hosted by NATCCO

Friday, 20 February

- 09.00 - 10.00 Introduction to the Asian Development Bank, ADB Auditorium
- 10.00 - 10.30 Nutrition Break
- 10.30 - 11.00 * Meeting with Dr. Mitsui Sato, President of ADB (small group)
- 11.00 - 12.30 Case Presentation (Cont'd)
- * SANASA - Sri Lanka - P.A. Kiriwandeniya
 - * NATCCO - Philippines - Teresita de Leon
 - * CUP - Philippines
- 12.30 - 14.00 Lunch
- 14.00 - 16.00 "International Co-operative Development agenda: Sustaining Relevance of the Co-op Model in a Changing Local and Global Environment"
- International perspective from:
- * CCA - Canada - Nora Sobolov
- Michael Casey
 - * DID - Canada - Piere Emong
 - * JCCU - Japan - A. Kurimot
- Akiko Yamauchi
 - * ILO - Geneva - Gilbert Renard
- 16.00 - 17.00 Break prior to Speakers' Forum
- 17.00 - 20.30 Speakers' Forum: Galleria Auditorium
- * Dr. Ian MacPherson, Victoria University, Canada
Dynamics of Co-operative Development
 - * Dr. Peter Davis, Leicester University, U.K.
Value Based Professional Management in Co-ops
 - * Dr. Hans Munkner, Marburg University, Germany
Translation of New Co-op Principles to Legal Norms

Saturday, 21 February

- 09.00 - 10.30 Response by Resource Persons:
Dr. Ian MacPherson, Dr. Peter Davis, and Dr. Hans Munkner
With special emphasis on ICIS, Value Based Professional Management, Legal Norms
- 10.30 - 11.00 Nutrition Break

Saturday, 21 February (Cont'd)

- 11.00 - 12.30 **Break-out Session:**
Given the various inputs, and from ICA ROAP's stakeholders' perspectives, what critical elements should be added (or non-essential ones deleted) to the ICA Perspective Plan to make it more conducive for new growth and development? (i.e. Critique on ICA ROAP's Vision, Mission, and Key Result Areas).
- 12.30 - 14.00 **Lunch Break**
- 14.00 - 15.00 **Plenary Session**
- 15.00 - 16.30 **Break-out Session:**
What are workable partnerships that can be developed among current stakeholders to assist and strengthen the growth of co-operatives in this region? (i.e. Critique on ICA ROAP's objectives, outputs, and resource allocations.)
- 16.30 - 16.45 **Nutrition Break**
- 16.45 - 18.00 **Plenary Session and Closing Ceremony**
ICA Closing Dinner

Sunday, 22 February

Field exposure to primary co-operatives
(hosted and organized by NATCCO; snacks and lunch c/o NATCCO)

Monday, 23 February

Departures

Welcome and Solidarity Messages

Welcome and Solidarity Message by Robby Tulus, Regional Director of ICA ROAP

The Hon. Jose Medina, Chairman of the Co-operative Development Authority, His Excellency, John H. Treleaven, the Ambassador of Canada, Mr. Julian Payne, Executive Director of ADB, fellow co-operators, friends, distinguished guests, ladies and gentlemen. The privilege is indeed mine to have this happy occasion to extend a brief solidarity message to our distinguished guests and participants of the First Co-operative Think Tank Consortium. In the interest of time I have been asked to speak on behalf of ICA - as the main organizer of this Consortium, as well as on behalf of the National Confederation of Co-operatives who, as a member of ICA, has kindly accepted our request to co-organize this important event here in the Philippines.

As the term "Think Tank" connotes, this Consortium is meant to address strategic and fundamental issues by bringing together a small group of reputed co-operative thinkers out of the woodwork from Canada, United Kingdom, Germany, and twenty co-op leaders from seven select countries of Asia, our senior staff from ICA Geneva including the Director General and Mr. Vishwanathan as Chair of our Executive Council for Asia and the Pacific. This Consortium is essentially a call made by our members to renew informed debates about the role of co-operatives in development, inasmuch as we have just entered our third year in operationalizing the Co-operative Identity Statement adopted during the ICA Centennial Congress in Manchester in 1995. In a region as diverse as Asia we cannot rest satisfied with co-operative successes in only a limited number of countries represented here in this room. We need to share these successes with fellow co-operative movements in this region, particularly in developing countries that are still suffering from the dire state of dependency and incapacity. But in order to do so we must put our minds together and set a common strategy with a paradigmistic approach and not just an ad-hoc one.

The timing is especially crucial as the ongoing Asia Economic Meltdown will have a definite impact on the business operations of co-operatives. We have seen that the notion of state and the marketplace is being carefully watched these days. There are lessons to be learned from the current financial crises, particularly, that virtuous ideas such as democracy, autonomy, good governance, transparency, and popular participation, if remained unchecked, will cause great harm for the entire nation. The relentless quest for profit, risk taking, rent seeking and rent creating mechanisms have contributed largely to the current economic crises.

These negative factors are exactly the ones co-operatives were asked to challenge and avoid when founders of people-based cooperatives started the formation of co-operatives, because these negative factors go against the very reason for the co-op's being: the social and economic self-reliance of members. But regardless of the strength of co-operatives, they are not immune to the onslaught of the current crises, and must therefore be vigilant to define strategies for growth with equity. We must continue to become the conscience of best business practices because cooperatives do business with heart.

Hence the quest for a workable 'Co-op Paradigm' founded on our sound Identity: recognizing and practising the co-op values and principles, adopting value based professional management, and working

hard to achieve growth with equity. In doing so we also wish to expand our network with other bilateral and multilateral agencies, to seek mutually reinforcing agendas for social and economic change in this region. Our collaboration with ILO in this region (and I believe also globally) has been very rewarding, so also with many bilateral agencies from North America and Europe. We believe it is also time that we start seeking the right avenues to work with the Asian Development Bank for mutually beneficial ends, in a professional and business-like manner, but also in a manner that will add-value to providing development and business services to reach those still left behind by the recent fast track economic development approaches.

The above are some of the critical issues we will be addressing in this Consortium. I must hasten to add that the organization of this Consortium is only made possible on account of the support of our members who are also contributors to this important event. We are indebted to our members who motivated us to renew our thinking in making co-operatives the model and the empowering agent of development. I wish to therefore thank all participants - members/stakeholders and development partners - who so kindly made themselves available to come to this Consortium on a self-financing basis. We are most grateful to the Asian Development Bank for their kind willingness to host our participants tomorrow in providing a most interesting orientation on their work (I wish to express our special thanks to Mr. Julian Payne who has been most instrumental in making it happen). Our gratitude is particularly due to our partner, NATCCO, whose General Manager and her dedicated staff have been working very hard and diligently to co-organize this Consortium in spite of their busy schedule prior to so many general assemblies, and also the forthcoming elections. I would be remiss if I do not offer our heartfelt thanks to His Excellency, the Ambassador of Canada, who so kindly made himself available to give us his keynote address. Last but not the least, we wish to thank the Government of the Philippines, represented here today by Hon. Jose Medina, as Chairperson of the CDA, for its support and co-operation.

I wish to close by saying MABUHAY to all present here today, and wishing all of us every success in our important deliberation. Thank you very much.

Solidarity Message by Hon. Jose Medina, CDA Chairperson

Thank you Madam Master of Ceremonies Tere de Leon, my good friend. Another good friend I would like to greet, ICA ROAP Regional Director, Robby Tulus, Executive Director of ADB Julian Payne, His Excellency Canadian Ambassador John Treleaven, ladies and gentlemen. At the outset, I would like to congratulate the initiators, planners and implementors of this Co-op Think Tank Consortium. I am impressed by the title because this means that you who are in this room today are not only the thinkers, the concept-wisers, but also the implementors of co-operative development in this region.

I want to deal only with a very simple subject. I learned this when I was with the Community Development of the Philippine forty years ago. We were brain-washed then on effecting change in the rural areas and were called change agents while the barrio people were the target clientele. Between us and the barangay population we adopted a change process called AIDA. Now let me explain a little bit what this acronym means. A stands for *awareness*. So as the think tank - the brains of co-operative development in this region - it is very important that you create among the people of the region awareness of co-operative development. And how do we do this? This could be had by a continuing dialogue with the people, by continuing community assemblies. When there are co-operative general assemblies, I suggest that the venerable gentlemen of this think tank do not wait to be invited - you invite yourselves. If you have to be a gate-crasher, do it and then share your concept, share your knowledge so that people's awareness of co-operative development will not only be enhanced but also will become a social pressure on them. Then the awareness will now move to the letter I which is *interest*. When interest is generated this would mean a continuous pounding in the minds of the people on the concepts, the principles, the ideologies of co-operativism. And then interest, hopefully, will be followed by the letter D which is *decision*. The people will now decide whether they will accept or reject - but I am confident that with your knowledge, your reservoir of information, your wealth of experience in the co-operative movement - they will now decide in favour of co-operative development. Because right now, we are beginning to experience among Philippine co-operatives an intensive warfare. There is warfare within the co-ops among the directors, among the board of directors, among the officers. So we will have to introduce some kind of professional ethics - that if they are no longer voted as directors by the General Assembly, they should be man enough to step down as member of the board but continue as member of the co-operative. The crucial decision to step down but continue supporting the co-operative should be made.

And then the last letter - A - means *action*. Action means you implement and put into reality the awareness, the interest and the decision that have come about. So, I suggest and strongly recommend that this change process with the acronym AIDA be a slogan, a motto, and a fighting philosophy of the Co-op Think Tank, ICA ROAP, and the world-wide co-operative movement. And we will do our share in the CDA. Because we are a government agency, and there is a principle in the law known as the Principle of Subsidiarity - the CDA can only come in and intervene in the intramurals of the co-operatives if they are

requested to come in. If the agency is not asked to do so, we have no business intervening, interfering and meddling in the internal affairs of the co-operative. But even if we keep distance, if this change process is well ingrained in the minds of all co-operative members, the possibility of getting lost or wandering from the accepted norms of co-operativism will not only be nil but can be eliminated. I challenge one and all in this Think Tank to adopt a fighting philosophy - not only a philosophy per se - but one that can be pushed and adopted to its final realization.

So once again, my congratulations to all of you and I am happy to report here that our President, Fidel Valdez Ramos, is 100% committed to the co-operative development programme. That is why the vision for Philippines 2000 has 2 components - global competitiveness and people empowerment. People empowerment includes the philosophy, the fighting spirit of the co-operative. So, this is all that I can say. Congratulations to all. Maraming Salamat at Mabuhay Kayong Lahat.

Message of Solidarity by Julian Payne, Executive Director of the ADB

Mr. Chairman, Your Excellency, Distinguished Guests, Ladies and Gentlemen. It is a great pleasure on behalf of the Asian Development Bank to welcome you here today to this Think Tank. The ADB is right beside you, towering over you. Frankly, we are delighted to be associated with this particular meeting. The ICA, its affiliates and its members are well-known for their pioneering efforts to promote the co-operative approach in addressing challenges in development all across Asia. I am thinking of agricultural development, of financial sector development, of urban development, of gender and development. There could be other more. But the co-operative movement has been known, has been seen and has successfully been addressing challenges in all these areas of development at the international level, at the national level and indeed at the community level. In this sense, the ICA, its affiliates and its members can work closely with the Asian Development Bank and the Asian Development Bank can work very closely with you. We, at the Bank, are fully aware of the contribution that you all have made and your members have made to international development. In fact, it is often seen that you contribute inspiration, you contribute intellectual leadership, and you contribute ideas and innovation. And these are welcome - they are welcome anywhere and everywhere.

During your programme here, you will have an opportunity on Friday morning to be briefed by Dr. Fernando of the Asian Development Bank, who is here at the end of the room, on the rapidly changing role of the Bank today and on the work it is doing, in concrete terms, in the area of co-operatives in various countries across Asia. I won't comment on any of these points that Dr. Fernando is going to make but I would like to make one point. When you look at the Asian Development Bank, when you think of the Asian Development Bank, I think you should look at it as a partner in many ways. First, obviously it is a provider of development finance to projects that confer to the co-operative movement. And that Dr. Fernando will talk to you about. Secondly, the bank has a very large number of projects. It is looking for agents, it is looking for organisations, it is looking for companies, it is looking for NGOs who can work as contractors with it and deliver the goods. And in this sense, you can be involved in the projects not only as partners, but also frankly, to make some money for your members and your organisations. Thirdly, and perhaps this is also the most important - the Asian Development Bank has, over its more than 31 years of experience, of history, slowly gained quite a lot of practical experience in many of the sectors in which you are working. And indeed in the co-operative movement itself. The staff of the ADB are professionals with practical experience with whom you can work and exchange ideas and, I know, who would welcome working with you to exchange professional ideas. In a sense, they are professional partners, potential partners in the field of co-operative movement development. Finally, all organisations have tremendous limitations in their own internal economy and social conditions of everyone of the 33 borrowing member-countries it has in Asia. Many of these I am sure you work in. I will draw your attention to these statistics. They can save you a lot of work and a lot of expense in getting them.

In closing, I want to once again say that, on behalf of the Asian Development Bank, I would like to welcome all of you to Manila, and of course, to the Bank on Friday. And I hope that when you visit the Bank, you not only learn and discuss with Dr. Fernando about the Bank and what it is doing. But that you will be able to meet with some of the staff there and be able to develop some contacts so that over the future years, we will be able to develop and enhance the relationship we have already started to develop with the co-operative movement. Thank you very much.

Keynote Address by H.E. John H. Treleaven, Ambassador of Canada to the Philippines

Magandang Umaga. Good morning ladies and gentlemen. It is a pleasure to be with you. I am honoured by the invitation and truly humbled by such an introduction. Mr. Chairman, Mr. Medina, ladies and gentlemen. As Canadian ambassador to the Philippines I am careful to warn my audience that I am a student in the University of the Philippines, Canadian Embassy campus. At this stage in my posting to this country, I am looking for good advice from all and any I talk to. I am receiving lots of good advice from Philippine friends and Canadian friends who have a lot of experience here. In terms of the co-operative movement, I am definitely a student in and out of that movement. So I approach this task of being the keynote speaker here with a great deal of humility.

In 1993, the Prime Minister of Canada led what he called Team Canada Mission to China. He had with him nine provincial premiers, about 250 companies and about four hundred business people altogether. That trade mission achieved what no other trade mission to China or any other country achieved. Among other things, it brought the countries together. From a business perspective, about \$8 billion in commitments and agreements were signed during that mission. I am well aware and very friendly with the folks who organized that mission. When they started out about seven months before the mission left, what they had in mind was a state visit to China by the Prime Minister of Canada with some business people along. And they thought to themselves that may be if some of the business people did their homework and knew what they wanted to do in China, perhaps there could be a few signings over there. And in their wildest imagination, the planners in the Department of Foreign and International Affairs thought that perhaps a million dollars worth of commitments in one kind or another might be signed during the visit of the Prime Minister. In the event, \$8 billion was signed. Where did the \$8 billion come from? It came from the clients, it came from the companies, it came from the Chinese organisations that wanted to apply Canadian technology and products. And it came in a co-operative way because, to be successful in that China market, the hundreds of Canadian business people from across the country shared their corporate goals and their shareholder aspirations with the government of Canada and their clients in China in a way in which the Chinese organisations, the Chinese government, the Canadian Government and their shareholders would achieve maximum impact of that visit. And so, Team Canada was born. And now, the Prime Minister has just returned from Latin America - I think it is his fifth or sixth Team Canada trip. This experience which I would describe as a co-operative activity across the country had a very interesting effect. My job for the last four years in Ottawa was to try and take that Team Canada approach which works so very well for nine days in a year when the Prime Minister was travelling and drive it into every community in the country to work all the time. Because in Canada, we have no choice - 42% of our GNP is trade-related. The assets of production are in the hands of private citizens and private corporations. But the prosperity of our nation depends on a co-operative team approach between the government, the shareholders, and the Canadian workers. So, perhaps, I can at least sympathise with some of the work that you are doing here as you are trying across nations, across economies, across regions to achieve what one of my goals was across the country in Canada.

Now, representing the jurisdictions that you work in, you will understand as well how interesting it is to be in a federal government, in a national government, a federal state. International trade is important to every aspect of our country. Business is important to every aspect of every country you represent. We have 23 federal government departments. Each of them has a role in international trade. We have 109 provincial government departments. Each of them has a role in international trade. Countless trade associations, perhaps 10,000 Canadian companies, participate in international trade. And when you get right down to it, as much as business is global, every business is local. So all the towns and cities of Canada, one way or another, have to be mobilized in one direction. It seems to me that in the co-operative movement, at this level, this is one of the things that you have achieved. We started out with many modest goals but with very strong leadership in the sense that the Prime Minister was committed to these. And it worked. But to go to Lethbridge, Alberta and say "Here is how you fit into Team Canada" is a different situation. We said that if only all the partners agree on the time of day, it is better than if they don't. And once they have agreed on the time of day, maybe they can agree on other strategic, tactical elements that will strengthen the ability of each of these organization to achieve their goals. And so for four years, I and my colleagues accomplished an international business strategy for Canada which, like your jobs, is far from easy but very, very rewarding when it works. I am honoured to have been invited to address you today and I do bring a certain amount of sympathy and a great deal of respect for the work that you are doing to try and achieve in a democratic, co-operative way the improvement of lives of people all over this world.

I had a very good briefing yesterday from your colleagues and as Canadians, I know from Prof. MacPherson, we can take a certain amount of pride in being, perhaps, early participants in the co-operative movement. I must say that I agree with his assessment this morning that in fact, most Canadians are blissfully unaware - not unaware of co-operatives, but of the earlier role of co-operatives in our country. And I look forward to further conversations with him. But isn't it interesting that in the decade of the 90's, on a very important agenda for our country, the Prime Minister and the premiers and mayors of cities and provincial governments and companies thought that the way to get ahead in this world is to work together. And it is not impossible. The best example I can give is when the Boeing Aircraft Corporation developed the latest version of its fleet, the passenger plane 777. I think they worked in ten countries and with 15,000 people to put together an aircraft that was finally assembled in Seattle. Not a single piece of paper was ever generated for that plane. It was all done co-operatively through computers. And that aircraft came within 36 kilograms of its weight specs. No one had seen it being put together the first time they started the engines. So, when I was trying to get a little inspiration to the guys in Team Canada, I would say that if Boeing Aircraft can put how many millions of pieces together and come within 36 kilos of its designed weight with products coming from as far away as Australia, France, China and far-off Canada, why couldn't the province of Ontario and the province of Manitoba work more closely together? Or why couldn't Acme Enterprises from Lethbridge, Alberta have a role in directing what the Prime Minister of Canada does for him? As I read the Co-operative Principles, without knowing it, what the Prime Minister was trying to do was to establish a different level of co-operative approach one of the main agendas in our country. By the way, the first aircraft that Boeing delivered to its prime customer, United Aircraft, was called "Working Together". Nice imagery. We are privileged to be in the Philippines - a country in which not only has the President endorsed co-operative principles (Philippines 2000) but is seeking to ensure that Team Philippines function everyday in every community in this country. And obviously, the co-operative movement is very important to him on that score. Of course, if you are going to build a team, it is not enough together, you have got to think together. And this session is about thinking together so you can work together. There is so much that can be done through collective action and that one tiny example of having a group of Canadian companies and a group of politicians go to China and achieve in eight days of a state visit what no one else had ever achieved is but one of these. It strikes me that the co-operative movement is one of those happy links between Canada, the Philippines and our Asian neighbours which

not only strengthens our relationship but which contributes to the prosperity and social justice of all our countries. Given the current economic concerns in Southeast Asia, the special contribution of co-operatives to economic and social development certainly merits attention.

Team Canada was developed at a time when we had two million Canadians unemployed. The country was in recession. International trade was our only way out of the circumstances. And that was only in 1993. Like many co-operative movements, it was a child born of necessity and it worked because it had to, against all odds, and it continues to be. So this is a welcome opportunity indeed to participate in an open forum where co-operative practitioners from Canada, the Philippines, and our other Asian neighbours can share their experiences and reflect on current and future challenges.

The currency crisis in Asia is of course a challenge for everybody. Don't forget that Canada went through the same thing in the late '80's and early '90's. We too had historically high interest rates, high rates of bankruptcy, of unemployment. We are on the other side of that now with a strong economy. Lots of restructuring are taking place in corporate Canada and unemployment rate is just still too high but is falling. And we have got the balance sheet of the nation pretty well cleaned up – but not without a whole lot of sacrifice. What we see Asia going through today, we have been there. And we were there very big time. The asset values of all Canadian homes, for example, are less today that they were ten years ago. And for a family, that is a major financial sacrifice to make for the health of the nation. But it was done. I would be interested if later in the meeting Ian MacPherson might be able to discuss with other Canadians who are here the impact on the co-operative movement of interest rates that got to 400% of the inflation rate. The impact on the co-operative movement of the massive restructuring that was going on in the private sector in Canada, is a way of sharing with all of you who are perhaps a little bit earlier in that cycle, what you can expect to see over there in the other side.

Canada has a long and venerable history of co-operative activities. Canadian co-operatives have been mirrors of their times, reflecting the state of evolution of Canadian society and economy at any given moment. They started in the nineteenth century as self-help groups necessitated by the weakness of fledgling government and business channels. Today, some co-operatives have evolved into massive enterprises operating within a highly competitive administrative and commercial environment. As is to be expected in a vigorous democracy, Canadian co-operatives represent a whole spectrum of their members concerns and preoccupations. They range in scope from local to national; they range in flavour from the socially-oriented to the business-oriented. We have found there is room, and a role, for all, these variations. Canadians believe that our strength lies in diversity.

In many ways the Philippines is an ideal venue for today's meeting, since it has witnessed in recent years the revitalization of an already considerable co-operative movement. As part of its democratic reforms in the early 1990s this country wisely reformed its co-operative legislation. Many of the essential principles of true co-operatives became enshrined in legislation, such as voluntary open membership, democratic governance, autonomy and concern for community. In consequence, this country now has a dynamic and expanding co-operative sector. Our host today, NATCCO, has significantly expanded its area of operations in recent years. This reflects the evolutionary trend of a successful organization responding primarily to its members' needs. I hope I can be excused if I note Canada's pride in the productive linkages which NATCCO has established with the Canadian Co-operative Association and Le Societe de Developpement international Desjardins.

Your meeting here will be focussing on the issues of governance and civil society. Since the current economic crisis appears to be very much about governance, the topic is timely. Just as the financial crisis in Southeast Asia is testing many of our assumptions about the operation of free markets, so the gradual withdrawal of the state from the economy is challenging prior assumptions about the way co-operatives

should operate. Asia has been at the forefront of world co-operative development throughout much of this past century. For much of this period, co-operatives have been closely aligned with state power in many countries. Often driven by national political and economic development agendas, many Asian co-operatives have experienced the same fate as the political and economic systems which sponsored them. The emergence of democratic regimes and market-based economies has eclipsed the post-colonial command-and-control structures in many Asian countries. Co-operatives which formerly functioned as arms of the state have declined; many are moribund or badly limping. Indeed, there are places where the term "co-operative" itself has become somewhat discredited.

It is often valuable at such times to go back to the drawing board, to check out some of the fundamental assumptions that drive our work and our dedication. Canada's foreign policy "promotes democracy, better governance, and a strengthened civil society. . .". CIDA, in its Human Rights, Democratic Development, and Good Governance policy, defines good governance as "the effective, honest, equitable, and accountable exercise of power by governments" and democratisation as "the effective participation of individuals in decision-making and the exercise of power in society, both through the formal processes of democracy (such as elections), and through the organizations (and institutions) of civil society that voice popular concerns." It is not hard to imagine that whoever penned those phrases might well have had a copy of the co-operative movement's statement of principles and values close at hand. The co-operatives offer the potential for demonstrating the application and the practice of democracy, thereby contributing to the creation of a stronger civil society, able to monitor and influence the exercise of good governance.

The new co-operative model has a unique potential, at this time of fundamental change in the roles of the key institutions of our societies, to contribute to building bridges between the private sector's bottom line of profitability, the democracy movement's bottom line of justice and equity, and government's bottom line of balancing competing societal interests. But all of us here today know full well that bridges cannot be built on a foundation of rhetoric arid attachment to "the movement". A strong foundation consists of objective self-knowledge accurately reflecting economic, political, and socio-cultural conditions in each of our countries and regions. These arguments must convince skeptics as well as adherents.

It is heartening to see recognition of these realities in your conference prospectus. Obviously the co-operative movement internationally is dealing with tough issues and is showing real progress in redefining its role to reflect global changes. When we read the ledger we see debit and credit columns; a forward-looking strategy emphasizes the positive, while acknowledging lessons learned. Canada and the Philippines certainly bring their positive experiences to the table, which we trust will enrich your discussions. For many years now, CIDA has been pleased to work in partnership with the co-operatives of Canada in strengthening some of the cooperatives of Asia, We view with interest the efforts of cooperatives to adapt to the changing trends and the forces for change at work in society and look forward to a continued collaboration with you in this process. We hope you enjoy an open and vigorous exchange of views, and will study with interest the results of your consultations.

Co-operatives have been borne out of intellectual commitment. Co-operatives have been born out of intuition. And co-operatives have been born out of conviction. Perhaps the most successful co-operatives have been born out of necessity. In the current environment in Asia and indeed in much of the world, has there ever been a time when the co-operative approach has become more necessary to ensure peace and equity in society? I wonder. We are dealing with an age where there has been significant systematic failure, perhaps, in some parts of the world. It is not new here. But look at the United States with the savings and loan fiasco. And as I mentioned earlier, Canada in the late 1980's and early 1990's, went through a similar transformation. The economies of Asia are certainly under stress at the moment and I would argue that it is for this time that co-operative action has been created. The most recent, in a way I

suppose, is APEC. APEC was born of a prosperity that thought that was in the world, Asia could never look back, turn back - that every year, the GNPs of its countries will be growing and Canada, the United States, Australia, and other members will work together. Well, that was important. But what was really important was when the currency crisis hit Asia, there was a mechanism to bring people together not just to identify opportunities and find ways of maximizing whatever those are, but to help resolve the problems. And I think the co-operative movement is one of those vehicles which strongly exist in Asia today, when it is more needed than ever. Awareness, interest, decision, action. It is a good way to go. Maraming Salamat. Mabuhay. Thank you very much.

Reports and Papers Presented

ICA Development, Geneva

By Bjorn Genberg,
ICA Development Director

ICA Development Policy

ICA head office is in the process of reviewing present development policy, which dates from 1983. We prepared a first draft of a strategy late November, which the regional office forwarded to you for your information at the end of January.

The draft strategy was discussed at a meeting of the Advisory Board of the ICA Development Trust early December, and we received valuable comments and recommendations at that occasion. Furthermore, an external team reviewed the regional programme in East, Central and Southern Africa in January, and this exercise also gave us helpful recommendations with regard to the future.

It will be of interest to you to know that the ICA Advisory Board, as well as the team strongly recommended ICA to sharpen its focus of the development programme, i.e. limit the types of activities, or areas of interventions, as much as possible. This should of course be seen in the light of the very limited resources, which are at our disposal. We are in agreement with this major recommendation, and have further limited the number of what we call core areas for the ICA development programme, added our own additional considerations and reflections at head office, and produced a second draft, which is enclosed. You will also note that we have concluded that it is more beneficial to produce a global policy, and not a strategy, since the differences between our regions are so vast. These differences will be reflected in the regional strategies, which are to be derived from this policy.

Although this Manila meeting is a regional affair, it does nevertheless give us an excellent opportunity to elicit additional response or comments on our policy, from our member organizations and development partners in the region. We have therefore agreed with Robby to give us an hour to present and hopefully initiate a discussion on the future direction of the ICA development programme. An hour is of course not enough for discussing a policy, but we will at least be able to introduce it and it will also provide a background to the discussions on the future priorities of the region. Also the deliberations at this regional meeting most likely, generate additional considerations for the continued work with the policy.

The draft policy will be discussed by the board of the ICA Development Trust in April, and a final version of the policy is to be presented at the board meeting in October.

ICA Development Policy 1999-2002

First Draft (13.2.1998)

1. **Co-operatives in Developing Countries and Countries in Transition today (being drafted).**
2. **ICA and its Development Programme**

Founded in 1895, the International Co-operative Alliance (ICA) is an independent, non-governmental association which unites, represents and serves co-operatives worldwide. Its members are national and international co-operative organisations in all sectors of activity including agriculture, banking, energy, industry, insurance, fisheries, health, housing, tourism and consumer co-operatives. ICA has more than 230 member organisations from over 100 countries, representing more than 730 million individuals worldwide. This gives it a global dimension unequalled by any other international movement.

The major task of the ICA is to promote and strengthen autonomous co-operatives throughout the world. Through actions taken at the international, regional and national levels, the ICA also seeks to promote and protect co-operative values and principles, facilitate the development of economic and other mutually beneficial relations between its member organisations, and further the economic and social progress of its members and their communities.

The Development Programme

The ICA development programme has close to forty years of experience. Working from its Head Office and Regional Offices, ICA acts as a coordinator and catalyst of co-operative development, and the basic objective of the development programme is *the establishment and growth of independent democratic and viable co-operative organisations, in which men and women participate on equal terms. These organisations must be capable of serving their members efficiently and contributing to economic growth and social equity in their respective communities and/or countries.*

The development programme is executed by the five ICA Regional Offices in Asia, East Africa, West Africa, the Americas and Europe under the coordination of the Development section at Head Office in Geneva. The main responsibilities of the regional offices are to: coordinate co-operative development and promote exchange of experiences; promote the establishment and development of national co-operative organisations, promote dialogue and relations between governments and co-operatives and assist in review of co-operative policies and legislation, and assist in identification, formulation, implementation and evaluation of co-operative development projects.

Each of the ICA Regional Offices identifies priorities and regional programmes through a process of consultation with member organisations and development partners. The process is designed to respond to the needs expressed by the regional member organisations.

The Development Policy

Policy in this document is understood to be a set of guidelines and general directives, which express the ideals, intentions and attitudes of the organisations. This policy will also serve as a framework and guideline for regional development strategies.

This revision of the previous policy, which dates back to 1983, is a re-examination of the purpose, relevance and context of ICA's role in co-operative development. It is also a restatement of a commitment to be a partner in this process. This policy, which includes a reaffirmation of ICA's development objec-

tives, a definition of ICA's role in co-operative development, and a presentation of ICA's core areas, will lead the development programme in to the next century. The periodic revisions of development plans and strategies will be carried out within the context of this policy.

Although co-operatives differ in terms of structure, function, and performance as well as the conditions in which they operate in the various regions, there are some fundamental and common areas of concern to all co-operatives. This policy will identify and address these concerns. The differences between the regions are reflected in ICA's regional development strategies. Derived from this policy, these strategies will propose appropriate interventions, targets and means based on analyses and local and regional knowledge.

Adjustment policies, economic liberalization and political democratization are creating a new environment for co-operative development. While these new conditions offer opportunities for growth, they also require adaptability, and increased efficiency and effectiveness on the part of co-operatives if they are to survive in this highly competitive climate. The main focus of the policy is on this issue.

The Co-operative Identity Statement

At its Centennial Congress in Manchester in 1995, the ICA adopted a Statement on Co-operative Identity. The Statement includes a definition of co-operatives, a listing of the movement's key values, and a revised set of principles intended to guide co-operative organisation at the beginning of the twenty-first century. In his introduction to the Statement, the author (inter-alia):

“Throughout its history, the co-operative movement has constantly, changed, it will continuously do so in the future. Beneath the changes, however, lies a fundamental respect for all human beings and a belief in their capacity to improve themselves economically and socially through mutual self-help. Further, the co-operative movement believes that democratic procedures applied to economic activities are feasible, desirable, and efficient. It believes that democratically controlled economic organisations make a contribution to the common good. The 1995 Statement of Principles was based on these core philosophical perspectives.”

The ICA considers that the application of the values and principles contained in the Statement into the day-to-day operations of the co-operative movement will enhance the image of co-operatives among the public as well as provide a commercial advantage in an increasingly competitive environment.

The ICA consequently sees their successful transformation into practical benefits as a pre-requisite for the survival and growth of the co-operative movement and remains committed to guide and facilitate this process. The Co-operative Identity Statement is enclosed as Appendix I.

Overall Role of ICA in Co-operative Development

ICA believes that development starts in the needs of people. No external organisation or force can replace self-determination of people who have decided to improve their lot. Sustainable development is self-created and self-maintained. This general observation is particularly true for co-operative organisations. The experiences by many Third World co-operatives, which have been promoted by the state since the 1960s without manifesting genuine development, trip sufficient evidence to this statement. ICA can therefore never substitute the efforts of individual members, elected leaders or management of co-operative organisation. Based on its understanding of genuine development the overall role of ICA can therefore be described as follows:

- *ICA shall be a catalyst and a facilitator for the co-operative development process in the Third World.*

Furthermore, one of the arms of the ICA development programme is ultimately strengthen the primary society, and member level. There are two inter-related reasons for this. First, the primary level organisations are the most important ones in any co-operative structure. It is also at this level that for instance poverty alleviation and food security, including sustainable agriculture, can be promoted by co-operatives. Secondly in the present transition to the open economy and political independence, the co-operative battle for continued development and, for some even survival, will be fought at the primary level.

It is not the intention, nor it is within the mandate given by this policy, to establish a presence at primary level for purposes of working directly with micro-level or primary co-operative organisations. It means, however, that the promotional activities carried out by the ICA at the national and regional levels should reach and have a definite impact at the primary level. Most efforts by co-operative organisations are aimed at the primary level in the sense that they are carried out for the benefit of the members. However, some of these efforts have a more direct and immediate impact at the primary level than others, and ICA shall give preference to them.

- *ICA shall discriminate in favour of those collaborating partners, type of interventions and methods, which after careful analysts promise to have the greatest impact for the individual members.*

Within the confines of this role and the areas of action given in this policy, ICA shall provide a leadership, and will seek to encourage co-operatives to take those actions, which ICA considers necessary, to further their development. This encouragement and accompanying, advice will be provided through various types of interventions and activities at regional and national levels. In order to gain optimal effect of limited resources ICA shall also continue to seek strategic alliances between development partners, thereby also facilitating and promoting exchange of experiences and funding of co-operative development programmes by other organizations. Such co-operation will also ensure better programme impact, improved cost effectiveness, and benefits from competencies of scale.

Synergy and relevance are other key concerns. In order to have an increased impact on co-operative development in the regions with limited resources, better synergy between the various ICA projects is a must. This presupposes a planning process that encourages constructive cross-fertilization between projects. Of equal importance is the synergy between ICA's vision, strategies and programmes and those of its partners which can only be achieved through continuous exchange of information and direct project collaboration. Only then will the ICA be able to address in a comprehensive manner the human resource, legal policy, structural and other requirements in the promotion of autonomous, democratic and economically viable co-operatives.

ICA Development Core Areas

Given the need to focus on a limited number of interventions for its development programme, the following four areas are considered to be the most important ones in which ICA can make a contribution in the next years to come.

- Co-operative Identity and Image
- Business Development
- Value-based Professional Management and Leadership
- Government Policy and Legislation

Co-operative Identity and Image

Decades of government control have not served to enhance the Co-operative Identity. On the contrary, values such as self-reliance, democracy and the principles of democratic member control and autonomy have in particular been violated. Consequently, many co-operatives entered the open market with diluted identity, aggravated their difficulties in finding their place in the market.

Without its Co-operative Identity, a co-operative remains so in name only. It becomes a business organisation without the competitive edge that the Co-operative Identity could give it, and without the advantage of any type of business organisation. It consequently becomes very difficult to fend off the competition and serve the members in an efficient manner.

Being the Custodian of the Co-operative Identity, ICA is the appropriate body to help co-operatives reassess and reaffirm their identity.

- *ICA shall assist co-operatives in strengthening the co-operative identity and advise them on how to put co-operative identity into practice, thereby enabling them to employ and profit by the co-operative advantages of a true co-operative organisation.*

Many co-operative movements suffer from a negative image. This image is partly due to the fact that governments so long have supervised co-operatives, resulting in the notion that co-operatives are part of government machineries, and partly to inefficiencies and malpractice on part of the co-operative themselves. Another contributing factor to this is simply a general ignorance about the basic values underpinning co-operatives. Co-operatives do not always deserve this negative image, the fact that so many of them were placed under government custody was outside the control of co-operators. And many co-operative movements with million of members have performed well, outside the public eye and to the satisfaction of the members as well as the community at large.

The "ignorance factor" can be addressed through proper information directed at the community at large and international organisations and national authorities dealing with co-operatives. It is particularly important that the characteristics of a genuine co-operatives are disseminated in the Third World when the co-operatives now are to operate in open markets without government interference.

- *ICA shall assist its member organisations to dispel the negative image and promote a greater understanding of the basic co-operative values and how they operate in practice, thereby contributing to favourable milieu for co-operative growth.*

Business Development

Co-operatives are today faced with an environment that is considerably more complex and diverse than was the case before. The globalization, with its open markets, and the new economic and political independence of co-operatives, have contributed to this. The new environment has brought about a new set of problems and threats that may be difficult to understand. Nor are the challenges and opportunities always easy to discern. The changes will be political and economic, but regardless of type it is essential that co-operators at all levels are made aware of their character and implication if a successful adaptation to them is to take place.

The importance of this recognition is underlined by the experiences of many Third World co-operatives currently in a transition to open market conditions. Failing to appreciate the fundamental changes affecting the co-operative business environment, they have often had little success in adjusting to the new conditions, resulting in the demise of many co-operative organisations. Others, on the other hand, have seized the opportunities offered by the new conditions and have added value to the membership. Condi-

tions will continue to change, at micro as well as at macro levels, and ICA will therefore continue its present work of alerting co-operators of changes to come.

- *ICA shall continue to monitor the co-operative environment, and through various information and awareness raising measures alert the co-operators on changes affecting them.*

Many co-operative organizations need to formulate their response to the new business environment. Their ability to design business policies and strategies, on which practical plans of action can be designed, is, however, limited. ICA shall assist the co-operatives to conceptualize the problems facing them, and ICA shall also assist to convince co-operatives about the need to develop strategies and set quantifiable objectives for their business achievements. In this process, it is important that analysis of challenges and problems confronting the co-operatives are structured and organised in such a manner that co-operators at all levels can appreciate them fully.

The promotional work of ICA shall not be confined to existing areas of co-operative business. Where there is an opportunity or need for the co-operative model in a country or region to expand into new areas of business. ICA shall assist in working out strategies for such a development.

- *ICA shall assist the co-operatives in enhancing their capability to develop appropriate business strategies and plans for existing as well as new business areas.*

Value-based Professional Management and Leadership

The liberalization of the economy and the subsequent opening up of markets has revealed weaknesses in the co-operative management set up and practices. Much of present co-operative management in the Third World has been conditioned by the confining system of state control and intervention. This led in many instances to a dependence on the state and a lack of self-reliance and inventiveness, since the state always assumed responsibility for the major decisions. This political intervention also hampered the emergence of a visionary leadership, which would have been needed to detect and exploit new possibilities for the members. It is therefore not surprising that elected leaders and employed management rather tended to react to given parameters, instead of assuming a more pro-active stance. This has in some instances led to a defeatist attitude when the open market now presents seemingly insurmountable obstacles to continued development or existence.

Furthermore, upon agricultural co-operatives, handling essential crops, was also imposed a state monopoly. Under these monopolies, entrepreneurial abilities such as cost consciousness, risk taking and fast decision making were not only not nurtured, they were not even needed: managing a co-operative became a matter of administration, instead of business management. This environment also led to poor understanding of and relations with the markets.

Under these circumstances it was difficult, not to say impossible, for the members to step forward and claim ownership and control of the co-operative society. Certain ineptitude on part of the management on how to organize a feed back from the members and proper democratic machinery also contributed to this. Member involvement in the affairs of the co-operative was therefore not such that it made a difference and the democratic element in management was therefore not as significant as it should be in a genuine co-operative. (It should also be recorded that many co-operative societies in the Third World managed to uphold a certain amount of independence, were well managed and have made a successful transition to open market conditions).

This type of management is now rapidly becoming obsolete in the new environment and it calls for a change and adaptation to open market conditions. A leadership and management is required, which not only is professional in a business sense of the world, but which also is based upon the co-operative values,

if the co-operative organization is to remain a co-operative, and thereby being able to exploit its comparative advantage in terms of an enhanced co-operative identity.

- *ICA shall assist co-operatives to make their leadership and management more professional and advise them how the co-operative values and principles are to be put into practice as a business tool in their particular environment.*

It is important in this process that relevant experience from outside the co-operative business world (mainstream management) is exploited and that the business and communal objectives are harmonized.

Government Policy and Legislation

Government policy and legislation create the framework for the environment in which co-operatives operate in the Third World. Unless it is favourable, giving the co-operatives an independent status and providing for a level playing field in the open economy, the co-operative will, as any other business organisation, find it difficult to realize their potential. Seen in a national perspective, co-operatives can only contribute to a diverse and competitive market if they are able to function in accordance with their principles. Anything else, such as for instance co-operatives being looked upon and used as vehicles for governments strategies and plans, will neither benefit the co-operatives, nor the society at large.

ICA has for many years engaged itself in a dialogue with governments on the need for appropriate policies and legislation that will create a conducive environment for co-operative development. This work, often in collaboration with ILO, has also produced results. However much remains to be done.

- *ICA shall, through dialogue and other relevant means, advise governments on the benefits of an independent co-operative movement and encourage them to adopt policies and legislation that will permit the emergence and continued progress of genuine co-operatives. ICA shall also assist co-operative movements in engaging themselves in this process, in order to provide for a participatory policy and law-making process and help them in defining and establishing appropriate and constructive relations with their governments.*

Participation of Women in Co-operatives

Women are under-represented in the participation of co-operative affairs. ICA has long recognized this and its commitment to address this fact is laid down in its present Policy on Women in Co-operative Development of 1993. ICA believes that gender should be addressed both as a matter of principle of equality and as a means for improvement of the co-operative business performance.

Considerable efforts have been undertaken to promote women's participation in Third World co-operatives during the last couple of decades, and there is now a growing awareness and recognition of the necessity to continue this work. Even where there is a will to promote the cause of women, the co-operators find it difficult to identify the practical means by which to put this expressed will into action. Considering the underlying attitudes and values of different cultures, it is difficult to design practical measures, which can genuinely forward the cause of women. However, this must remain a priority.

- *ICA shall encourage co-operators to take a firm position in principle and in practice for the full integration and effective participation of women in co-operative affairs. ICA shall also intensify its dialogue with women co-operators and support their efforts for increased participation in decision making, as well as assist co-operatives in improving their capacity to design and implement sound gender sensitive programmes.*

Gender analysis, which takes into consideration the position of women as well as the relations be-

tween women and men, shall be part of all ICA's interventions. Furthermore, ICA will undertake special programmes in order to develop new methodology and break new ground.

Other Key Considerations

In addition to women and gender, there are other cross-cutting issues, which need to permeate ICA programmes and interventions. There are in particular two such issues which fall naturally within the ICA mandate: a) exchange of experiences, and b) development of new methodologies.

It is important that the experiences of ICA's work are disseminated to other co-operatives, not directly affected by the interventions. Through its various networks and specialised sectoral organizations, set up by ICA at regional and global levels, ICA is well placed to do so. Whenever useful experiences are gained within the above four core areas, ICA shall therefore disseminate these to its member organizations and development partners through its networks. Advantage will be taken of the new electronic media.

With the ambition of being at the forefront of co-operative development, ICA has a special obligation to see to it that new approaches and methods are developed for the co-operative set of challenges and problems. Consequently, whenever intervention are planned or implemented within any of the core areas, special attention shall be paid to the need for new methodologies, which could be replicated and adapted by co-operatives.

While ICA lacks the resources to directly promote other important cross-cutting issues, (Concern for the environment, the need to include the Youth, Food Security, etc.) ICA shall nevertheless encourage its member organizations to take these into account in their operations. Furthermore, within the overall objective and taking its limited capacity into account, ICA shall be prepared to undertake other activities, not directly indicated in this policy, after close consultation with member organisations and development partners.

Partners in Development

Member Organisations

ICA has many partners in its development work, the most important being ICA's member organisations. It is the needs and concerns of the member organisations in the third World which, within the limitations set by this policy determine the substance and priorities of the development programme. Regular planning consultations with the member organisations ensure that these needs are reflected in strategies and plans. In addition to such consultations, ICA will also undertake separate studies for the purpose of assessing the development requirements, particularly at the primary level.

The member organisations in the developing countries also participate in the development work by providing funding and expertise. The financial contributions of the members in the North are however, with some exceptions, relatively modest.

- *ICA shall make determined efforts to involve to a greater extent, the co-operatives in the developed world in the development programme. This will increase linkages between co-operatives in the South and the North, as well as broaden the resource base for the development programme.*

Governments

Relations between governments and the co-operative sector are undergoing dramatic change. From being an overseer in an unequal partnership, government is now becoming a partner. This new relationship must be based on the recognition on the part of the governments that co-operatives are autonomous organi-

sations that should be given equal treatment to other types of organisations. ICA enjoys a good working relationship with governments. The basic purpose of this relationship is to contribute to an enabling environment for co-operatives in the form of appropriate policies and legislation, and to mobilize political support for development of co-operatives as an essential actor in the market.

- *ICA shall, whenever it is beneficial to the objective of its development programme, collaborate with governments in a manner which does not compromise the independence of ICA and its member organisations or other partners.*

Development Partners

ICA defines development partners as those that share ICA's vision of co-operative development and with whom a mutually supportive collaboration is possible. There are two overriding considerations in ICA's relations with development partners. First, the development co-operation including joint funding of ICA's development programme is essential. Second, of equal importance are the partners with whom technical collaboration is established in the field. This aspect of co-operation covers exchange of experiences, joint projects and studies, and combined resources for development of methods and techniques. Several of the partners are providing funding as well as having technical co-operation with ICA.

- *Collaboration with partners, who can contribute financial and/or technical experiences to the development work of the ICA, shall be broadened and deepened.*

ICA maintains a dialogue and collaboration with UN bodies, and partnership agreements are being established with some of those who have development of co-operatives on their agenda. Through its Category I Consultative Status with the UN and its membership in the Committee for the Promotion and Advancement of Co-operatives (COPAC) is in a good position to follow and influence co-operative policies and activities affecting co-operatives.

- *ICA shall actively work for political and development support for co-operatives and seek to influence policies affecting co-operative development within the UN system.*

Resource Mobilisation

ICA has three sources of financial support for its development programme, the ICA central budget, contributions from member organisations and partner funding.

A new framework for the development programme was established with the ICA Development Trust Fund, which will finance the development programme. ICA allocates part of its surplus and income from membership fees to the Trust and voluntary contributions for co-operative development from members, partners and others shall also be invited. This new structure, with its Advisory Board of international experts, will enhance the sustainability of ICA's development functions as well as its capacity to support co-operative development.

The size of the contribution from the ICA central budget is difficult to predict accurately since it depends on membership fees, but it would not be realistic to expect substantial increases in the years to come. Furthermore, ICA's traditional development partners are themselves feeling the pinch, and some of the major ones have had to scale back their support to the development programme.

In the light of the increasing demands on the development programme and the limited resources available, the trust recognises the need to expand its resource base. The Trust will therefore continue, and if possible expand, its collaboration with its traditional partners, and it will also vigorously look for opportunities for collaboration with potential new partners.

However, solidarity and self-reliance must be the guiding principles of the trust's resource mobilization. This implies inter-alia a recognition on the part of member organisations that development is a shared responsibility and that a substantial increase in their contributions to the development work is required.

- *ICA shall, as an immediate priority, convince all its member organizations that the development of co-operatives in developing countries is a concern for the global co-operative community and initiate concrete resource mobilisation activities among member organisations in developed countries. ICA shall also take measures to expand the present group of development partners who are able to contribute financially to the development programme.*

ICA ROAP Discussion Paper

Robby Tulus,
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Introduction

At issue in Asia today is the lingering economic crisis. This restless crisis, which threatens political turmoil in some countries, is an issue being talked about everywhere. People talked about the "Asia Economic Miracle" just a year ago, and it suddenly turned into "Asia Economic Meltdown" six months later. Like many other institutions, this Consortium cannot avoid this issue and is thus bringing putative co-operative thinkers out of the woodwork to assess the extent of its hit on co-operatives.

Originally, the CTT Consortium was conceived in 1997 with the main purpose of expanding the scope of ICA ROAP's Development Partners' meeting and to discuss broad-based issues of common concern to ICA ROAP and its stakeholders. However, Asia's financial crises has cast a shadow over many other issues and must therefore be appropriately addressed within the broader context of co-operative development in this region.

During the Fourth Asia Pacific Conference of Co-operative Ministers held in Chiangmai, March 1997, ICA delivered a joint statement of the Standing Committee which stated, among others:

"Since 1991, net resource inflows in Asia have averaged \$75 billion per annum, peaking in 1994 to \$109 billion and accounting for 48 per cent of total net inflows into the developing countries. The magnitude of such inflow, when considered against the backdrop of prices of financial assets and real estate, can be subject to volatility (recently in Indonesia), and now actually starting to happen in Thailand, and now actually starting to happen in Thailand especially if the inflows are of short term speculative nature".

In August 1997, ICA ROAP described the prevailing socio-economic condition in Asia in its planning document and stated, a/o:

"Recent developments in South East Asia, triggered by the unstable currency in Thailand, raise concerns about the long term economic stability in this region.

Like real-world markets, real-world governments are imperfect. Real-world governments are susceptible to multiple forms of government failures: ill-defined goals, poor management, information deficiency, rent-seeking behaviour, rent-creating behaviour".

The above trend analysis highlights the continuous need for a reality check in the Asia-Pacific region. ICA felt that if macro trends remain unchecked, one could be captivated too easily by the remarkable economic vigour of the Asian Tigers in recent times, and lose track of the underlying weaknesses inherent in many governments and corporations within those countries.

Worst still, one could lose track of the adverse social impact on the lower middle income groups of people, including the poor, who are important target groups of co-operative development. It is therefore one of the main objectives of the Think Tank Consortium to raise the sophistication of such analysis and in turn help seek the appropriate solutions.

Indeed, our CONSORTIUM takes place at a time when the economic meltdown in Asia is continuing but which has by no means hit bottom. The IMF rescue programme has had some positive effects on Korea and Thailand viewed from their current-account surpluses, but Indonesia appears to be still in the worst fix. Even if currencies and stock markets do stabilize soon, millions of poor people impacted by the meltdown will not be necessarily saved. Unemployment will rise, prices will escalate, and a recession may follow.

This situation will no doubt create new challenges, but also opportunities, for Co-operatives in this region. Savings capacities of members will most likely be curtailed owing to shrinking income levels resulting from the devaluation, loan repayments may likewise be slower due to higher consumption costs, and production levels may suffer if imported raw materials are being used. On the other hand, co-operatives can offer hope for those communities effected by the economic slump because successful people-based co-operatives have imprinted good discipline in the creation and conduct of systems of governance and regulatory functions. It amounts to a sound and transparent manifestation of “the ICIS in practice”, benefiting not just co-operative institutions but ultimately their most important asset, i.e. individual members at the grassroots.

Co-operatives can offer an alternative model or a new paradigm in social and economic development thinking (in this region), because successful experiences among co-operatives practicing the ICIS - albeit still relatively few in numbers and usually micro-based - offer insights into organizing sustainable communities, while enunciating good governance and value-based management.

We thus need to define our new “*Co-op Paradigm*”. For this we will observe the policy direction of the ICA Board and the development strategies for the ICA Development Trust.

We need to heed the results of the “Chiangmai Conference of Co-operative Ministers”, the “Special Workshop on the ICA Co-operative Identity Statement”, and the “ICA ROAP Perspective Plan”. Last, but certainly not least, we also need to bring our development partners and other stakeholders into giving us their rich contribution and honest critique.

This Think Tank CONSORTIUM is therefore the ultimate combination of all representatives, including those from the ICA Board, ICA Membership, Partners, Advisors and Staff, who together will enrich our ICA orientation and thrust in the Asia-Pacific region, and in the end define our new Co-op Paradigm.

The OUTPUT of this Consortium will thus be the attainment of :

An enriched ICA development strategy for the Asia-Pacific region;

re: critique on preliminary ICA ROAP planning paper

1. A definition of the new '*Co-op Paradigm*' that will sharpen the focus of the ICA ROAP's development strategy;
2. A shared/common agenda among all participating members and stakeholders of this Consortium to enhance the image of co-operatives, and to make co-operatives in this region more self-reliant;
3. An identified list of value-added roles ICA and its member co-operatives can play in this region.

CONTEXT

The milestone created by the ICA Centennial Congress in Manchester in 1995 has stimulated renewed debates about the role of co-operatives in development. The quest for a workable "*Co-op Paradigm*" became strong as the notion of State and the Marketplace rules out virtuous ideas such as democracy, autonomy, good governance, and participation. States in most developing countries are for the most part considered redundant due to their implicit pursuit for central power, not to mention the inefficiencies, overspending, and mismanagement that usually accompany such a pursuit. The market, on the other hand, is considered lopsided due to its relentless quest for profit.

The conceptual logic for "CO-OPERATIVES" as a Third Sector, or at least as an initial 'go-between' straddling the State and Private sectors, is certainly justified. The ICA Co-operative Identity Statement, in hindsight, has in some way established a pedigree in development philosophy, especially through the adjustment of its third principle and the addition of the fourth and seventh principles, evolving into a shared understanding of sustainable human development. That said, however, one has to take immediate caution. Taking price in co-operatives purely from a theoretical or philosophical standpoint alone is not only utopian, but also dangerous.

Realities in the developing world are witness to the shrinking elbow room for state sponsored co-operatives because of their continued dependence on government subsidies, or otherwise on their traditional approaches which discount professionalism in both business development as well as mainstream management. But we can take comfort of the fact that levers can be found in people-based co-operatives that continued to grow autonomously and independently.

The latter is a growing phenomenon and co-operatives under this category are considered important prerequisites for democracy, good governance, entrepreneurship, all of which are explicit goals of many bilateral and multilateral aid agencies. Unfortunately, it is also this category that has been overshadowed by the dominance of the state sponsored ones which are now mostly dormant due to the gradual withdrawal of state subsidies.

While micro finance and micro enterprise should have fallen more logically under the co-operative domain, our co-operative system has been almost completely ignored or miscalculated by those agencies promoting micro-interventions, due to the overriding "image" that co-operatives - especially in developing countries - are state controlled enterprises.

Hence the urgent need to correct the co-operative image, and the "catching up" work that needs to be done. More space should be given for informed debates about the good work done by viable people-based co-operatives which are now beginning to spread all over the region, as well as the transformation of state-subsidized co-operatives into becoming more autonomous, independent, and self-reliant.

The ICA Development Trust, which was set up to address multi-regional co-op development issues, will soon come up with its new ICA Development Strategy.

It is considered prudent on part of the ICA ROAP to invite select thinkers who are directly or indirectly involved in promoting co-operative development work in this region to enrich the ICA Development Strategy from a regional perspective.

Likewise, results of the discussions could ameliorate the construct of a fresh co-operative development strategy for Asia and the Pacific.

The value of this meeting is added by the fact that thinking about responsible governance in both business development and the promotion of civil society are high on the agenda of the ICA, its development partners, as well as bilateral and multilateral funding agencies. Discussions should search for ways by which a shared/common agenda could be arrived at in making the co-operative institution conducive to achieving "equity with growth". Co-operatives are likely better positioned as partners to enhance economic growth that is more widely shared and participatory. But greater equality must also come from the development of human resources - a real focal point of most people-based and self-reliant co-operatives.

ENVIRONMENT

The Asia Pacific Region

In the Asia-Pacific region, pluralism and diversity is a stark reality. China and India alone account for one-third of the world population. A World Bank study has defined global poverty at US \$370 per person a year in constant 1985 PPP prices. Out of the 1,133 million poor in the developing world, 731 million lived in Asia region alone (169 million in South-East Asia and 562 million in South Asia) in 1990. The Asian Region has made some progress in reducing its share of the world's poor from 68% in 1985 to 65% in 1990. However, higher population growth in South Asia has led to an increase in the absolute number of poor from 532 million in 1985 to 562 million in 1990.

The region has the richest as well as the poorest countries.

The highest per capita GNP being Japan of US \$39,640 (1995) and lowest being Afghanistan of US\$150 and less than US\$250 in Vietnam and Bangladesh. Similarly, inflation rate is also very diversified. It is as low as 0.2% in Japan to 73% in Mongolia, 56.7% in Afghanistan and 31.5% in Iran. While Japan, South Korea, Singapore and Israel have a 100% literacy rate, the rate is as low as 35% in Bangladesh and Pakistan, 54% in Iran and 48% in India.

Asia is also the conspicuous victim of market hysteria these days. Take the example of resource inflows into the region. External resource inflows into the Asian developing countries between 1987 to 1996 should give sufficient indication that it will be hard for the financial sector and the governments in Asia to manage the astounding amounts overnight. In the four years prior to the downturn in the industrial countries (1987-1990), long term net inflows into the region averaged \$3 billion per annum. Since 1991, net inflows have averaged \$ 75 billion per annum, peaking in 1994 to \$109 billion and accounting for 48

per cent of total net resource inflows into the developing countries. Given this, prices of financial assets and real estate were subjected to high volatility which then brought down the economy in Thailand followed by other ASEAN countries and South Korea, because inflows were of short term and speculative nature.

More importantly, the domestic financial system was exposed to potential instability depending on the capacity of banks to successfully intermediate and ensure efficient allocation of credit. The sudden increase in the liquidity of banking system runs the risk that the quality of loans could deteriorate or there could be a mismatch between the maturity structure of assets and liabilities. This brings into question loans extended to co-operatives by state banks without proper risk analysis. As a result, Asia is currently grappling with current and stock market crises.

The financial crises in South East Asian nations are all characterized by the combination of initially overvalued currencies, significant external debt and weak banking systems.

The deepening of the economic turmoil was first seen as a confinable regional crisis, but is mutating into a dangerously contagious threat to global stability now that Japan and Korea have been pulled into the fray. That said, however, the crisis also speaks about fragile international capital markets than about the economic problems of Asia, particularly now inflicting Japan and Korea.

We still need to wait and see to what extent IMF's all-purpose medicine will do to the economies in Asia. Thailand, Korea, and Indonesia have little option: many of their measures were conditions tied to rescue funds totalling more than \$100 billion - arranged by IMF. Despite causing a wrenching economic slowdown, IMF's program shows some positive effects. Thailand is running a monthly current-account surplus, and this offers a glimmer of hope that the downward pressure on currencies will ease. But Indonesia remains in a fix.

Addressing government weaknesses is the largest hurdle facing developing countries in Asia. Corruption is rife, judicial systems are weak, and local governments often lack authority and adequate finances.

The financial crises will likely have continuing effects for two or three years on the overall health of the economy. But the slump in South East Asia has revealed the need not just for economic change, but for political reform as well.

ICA ROAP

Pluralism and diversity prevail within the ICA ROAP network itself. As a result of organizational restructuring at the 1992 ICA Congress in Tokyo, there has been a vast expansion of the geographical area covered by the Regional Office for Asia and the Pacific (ROAP). Membership spans from Fiji and Tonga in the Pacific all the way to Israel and Palestine in West Asia, whereas it was confined only up to Iran prior to 1992. The disintegration of the Soviet Union has brought additional new members from the CIS countries. ROAP's membership has increased from 14 countries before the restructuring period to the current number of 29 countries with 62 members. Individual members in this region alone have reached 512 million people by 1996.

The co-operative sector as a whole covers roughly two-third of individual ICA global membership coming from 29 countries through its 62 affiliated organizations. One can find the best possible and worst possible examples of co-operatives in the region. The region covers all types of co-operatives. Agriculture

and multipurpose accounts for 57.60%; housing 10.61% and consumers occupying 8% share. The strength and weakness of the co-operatives can be seen from the fact that the average membership and share capital of the primary agriculture co-operative being as high as 1,650 and US \$915,000 in Japan; 1,348 and US \$88,185 in Thailand; 4,946 and US \$26,912 in China; and 584 and US \$10,276 in Malaysia, 40 and US \$450 in Pakistan, and as low as 40 and US \$95 in Bangladesh. Sri Lanka has an average membership of 405 and the average share capital of US \$450.

In Fiji, on the other hand, the membership is a low 40 per society and the share capital is comparatively higher, i.e. US \$5,205 per primary society. The position is not much different in case of consumer co-operatives too. The average membership and share capital in Japan is 26,636 and US \$4.7 million; in Thailand it is 1,958 and US \$54,203; in Fiji it is as low as 26 members and US \$1,057 share capital and in the Philippines only 52 members with a share capital of US \$5,464.

Given the above environment, co-operatives cannot be value-neutral but must be value-based. There is certainly no lack of conviction and commitment on part of the co-operative leadership. The ICA has adopted the ICIS as our new guidepost during the Centennial Congress in Manchester.

In this region we did some testing and fine-tuning of the ICIS application through a special workshop in Jaipur. The "strategies and guidelines for incorporating the ICIS" concluded at the Jaipur Workshop has yet to be adopted by the 1998 Regional Assembly.

There is an urgency for ICA ROAP to increase its efforts to review in earnest successful co-op entities that are genuinely people-based and viable, and those which have become fully self-reliant following their transformation from hitherto government sponsorships. This Consortium could help set important parameters for identifying these successful, self-reliant co-operatives.

If we possess credible case studies of self-reliant co-operatives, such as the recently published "Critical Study on Co-operative Competitiveness and Legislation" (1996), they would empower the ICA ROAP to be better able to market the true worth of its members for the delivery of development goods.

It can also be used as a model to spur those still left behind to strengthen themselves and become more self-reliant. This is a challenge that can be addressed by the consortium if we agree that we need to come to grips with the important role co-operatives can play in the prevailing development agenda in this region. If we believe that co-operative is also a relevant model for sustainable development, it would be challenging to see how co-operatives can help bring greater equality in the market place through effective distributive outcomes of the market itself.

PRELIMINARY LONG TERM PLAN

Preface

ICA ROAP staff, including the development team from ICA Geneva, organized two short workshops in 1997 to embark on perspective planning. The perspective planning process of ICA ROAP was predicated on the need to go beyond its internal focus and to start breaking new paths for the future. It was also based on the recognition that success in the past has no implication for success in the future. ICA ROAP must embark on a process of ongoing improvement on the one hand, generating new intellectual capital on

the other, and using our human capital - our development "team" - to create fundamentally new opportunities.

To avoid planning in a vacuum, ICA ROAP will attempt to examine macro development trends in this region to acknowledge specific challenges that require quick responses from the co-operative sector. In the past, it was acceptable for ICA ROAP to look inward to consolidate its competitive position in order to stay in the game. But in the current environment it would be wrong for co-operators to only stay in the game. Co-operators must change the basis for competitive advantage within the co-operative sector by fundamentally creating new paths, hence new space for co-operative development that we sometimes do not realize we have.

The role of ICA ROAP will continue to be catalytic and coordinative, providing increased and high quality (value-added) services to members as guided by the ICIS.

ICA ROAP also takes into consideration policies of the ICA Board, policies of the Regional Assembly (and Executive Council), the ICA membership Survey results, the development strategies adopted by the Development Trust, and recommendations from various important meetings such as the Ministers Conference and the Think Tank Consortium.

Current Status

ICA ROAP took stock of where it stood by October 1997. The following achievements were recorded:

The Policy Front

In line with the new structure set at the 1992 Tokyo Congress, ICA ROAP accomplished its task in strengthening the policy framework wherein members take precedence. The Second Regional Assembly in Kuala Lumpur in 1996 brought the needed impetus for organizational renewal of ICA ROAP, based on the report of the Advisory Committee regarding "Policy Direction of ICA ROAP". A resolution to form a Standing Committee was duly adopted by the Regional Assembly. The model constitution for the Specialized Committees were adopted, and the formation of a Women's Committee for Asia and the Pacific was also endorsed.

In March 1997 the above resolutions were reviewed and discussed by the Standing Committee, and adopted by the Executive Council. Mr. Yang Deshou was elected Vice President from Asia and the Pacific, and Mr. B.S. Vishwanathan, Chairperson of the Executive Council.

Two new Board members proposed from this region were duly elected at the General Assembly. The Third Asia Pacific Regional Assembly has been scheduled for the week of October 25-31, 1998, in Seoul, Korea.

Draft constitution of various Specialized Committees in the region have been endorsed by the Executive Council in 1997, for due adoption at the Third Regional Assembly. The "synergy effect" among different Specialized Committees, first between the Consumer, Agriculture and Fisheries Committees is being actively pursued.

Consultations with member organizations within the framework of the above Policy issues have been undertaken in close coordination with Head Office, and seven new members from this region have also been admitted in 1997.

The Development Front

It was discernible in early 1997 that ICA ROAP could no longer afford to do business as usual, or implement merely process-based development projects. ICA ROAP took into account the changing realities, and began to tailor its activities based on the merit of its outcome, or be more "results based". This development orientation and thrust took into account the impact of activities at the primary level, be they coursed through the secondary and apex structures. Such development thrust rested on the assumption that the strong economic performance in Asia in early 1997 will not automatically propel the growth of co-operative development in the region. It was apparent that the greatest benefits of globalization have been garnered by a fortunate few.

And the gains of globalization will remain fragile if unevenly spread and not accompanied by people-oriented development processes.

Co-operative development, therefore, is a necessary prerequisite to create the balance since they are people-based and member accountable. Yet activities of the ICA must be tailored to meet the changing environment by creating our own co-operative space with a long-term view. Doing this means that we must create not just responsible governance and good practice of our ICA Co-operative Identity Statement, but also to build strong leadership and management who together can define competitive business and commercial strategies, and carry them out with the strength derived from the ICIS. Professionalism must be upgraded to supersede those being introduced by narrowly focused corporate avant-garde.

Activities must also take into cognizance the pervasive role of governments in co-operative development in most countries outside East Asia. Unmanaged relationships between government and movement will only add to the complexity of the task that lies ahead for co-operative organizations.

A number co-operative forums during the recent past have taken stock of the impact globalization has on co-operative development. Lured by profit motivation, many co-operatives in developing countries in South East Asia were offered, and did business with, government funding to the detriment of their very fabric of the co-op identity. Some converted themselves into becoming private corporations, and some basically collapsed.

The Fourth Co-operative Ministers Conference, and the Special Workshop in Jaipur confirmed the need for internal reforms within many co-operative structures and follow up activities will hopefully be combined with sound public discussion and informed policy debates.

On the operational side, ICA development programme continued to give emphasis on Gender issues. Youth, HRD, and Policy Development. In addition, in consultation of its development partners in Japan, it ensured that ongoing projects in Agriculture Co-operative Management and Consumers Co-operative Development will undergo improvements in order to become more results-based. The multitude of activities carried out in 1997 is shown in Annex 1. New activities in 1998 will undergo further refinements and adhere more faithfully to a results-based approach and the new Co-op Paradigm.

In this context, the imperative of value-based management will be increasingly recognized because mainstream management is highly contributory to the co-operative system in making co-operatives become more competitive and sustainable.

The Management Front

A change-management process begun in earnest in January 1997. In November 1996, ICA took stock of where things stood. Task Forces were created to encourage collective problem solving and decision making. A systematic job evaluation process was conducted to ascertain the right management struc-

ture. The organizational restructuring finally took place during the first week of December 1997, and a smaller group of staff has been retained.

Performance and growth will further be driven by the new service paradigm, placing greater investment in people, and compensating staff based on performance at all levels. Functional silos are de-emphasized, while horizontal integration with critical cross-functional work processes is being encouraged. We now feel that internal quality is better enhanced by the feelings that employees have toward their jobs, colleagues and institution.

Goal

The share GOAL established by the Staff Planning Workshop is as follows:

By the year 2002, ICA ROAP shall have contributed to the successful adaptation to the changing socio-economic scenario of at least 20% of its member organizations in the Asia-Pacific Region.

The sub-goal reads:

“The contribution made by ICA ROAP in reaching the goal would generate sufficient resources to sustain the development programmes and the operations of the Regional Office for Asia and the Pacific.”

Relative to the Development Goal, Six Key Results (KRAs) were identified:

1. Policy Development and Legislation
2. Leadership and Value-based Professional Management
3. Trade and Business Development
4. Women Empowerment and Gender Mainstreaming
5. Food Security and the Environment
6. Consumers Co-operative Development.
7. Other Development Partners' Priorities which support or complement above KRAs.

Project ideas, instrumental to meeting the Key Result Areas, were identified. They are:

Policy/Legislation

01. Improved legislative environment
02. Practical internships on policy management.

Leadership/Professional Management

03. Improved Management Training System (value-based)

04. Leadership Development
05. Entrepreneurship Development in Rural Areas - Methods - Models.
06. Regional Co-operative Data Bank

Trade

07. Co-operative Tourism
08. Agri-Business Development for Agricultural Co-operatives
09. Strengthening Agro-processing.

Women/Gender

10. Disadvantaged women - Country-based Pilot Project
11. Strengthening Rural Women's Organisations
12. Soil to Silk - Pilot Project in India (Awareness processing to be integrated in co-operative structure - Trade)

Food Security/Environment

13. Organic Farming/Farm Waste Utilisation
14. Review and Assessment of AGMT projects (162)
15. Environmental Assessment and Management
16. Landless Forest Produce Collectors.

CONCLUSION

In-depth critique is anticipated from the Consortium on the above interim results. If we believe in a holistic development concept the important sectors with people-based models must be given prominence and priority. The conspicuous absence of youth, consumers, housing, health, or workers as important co-operative sectors shows a measure of inconsistency with the holistic approach.

ICA ROAP is hopeful that critical insights will emerge from this respectful Consortium for due refinement of its development strategy and the ensuring five-year perspective plan.

Robby Tulus
February 1998

ICA ROAP ACTIVITIES

January - December 1997

3rd Meeting of the ICA ROAP Executive Council

The 3rd Meeting of the ICA ROAP Executive Council was held in Chiangmai (Thailand) on 18th March, 1997. Eighteen members and 28 observers attended the meeting. Mr. B.S. Vishwanathan, President of NCUI, was unanimously elected as Chairperson of the Executive Council. The Terms of Reference of the Standing Committee was adopted by the Executive Council. Mr. Yang Deshou was unanimously elected as ICA Vice President from Asia-Pacific region. The next meeting of the Executive Council will be held in the Republic of Korea along with the 3rd Meeting of the ICA Regional Assembly.

4th Co-operative Ministers' Conference

The International Co-operative Alliance, Regional Office for Asia and the Pacific (ICA ROAP), organised the Fourth Asia Pacific Co-operative Ministers' Conference in Chiangmai, Thailand from March 18 to 22, 1997. Ministers responsible for Co-operative Development, representing China, Fiji, Indonesia, Iran, Japan, Kuwait, Malaysia, Myanmar, Thailand and Vietnam participated at the Conference. 124 delegates from 22 countries, in Asia and the Pacific, attended the Conference. In addition, 34 representatives from international organisations took part in the Conference as well.

Recommendations adopted by the Regional Consultation held in Yangon, Myanmar from December 2 to 6, 1996, summary of the Background Papers, and Statements from member country governments and other national and international organisations, became the resource documents for the deliberations at the Ministers' Conference in Chiangmai.

The Conference was inaugurated by His Excellency Sukavich Rangsitpol, Deputy Prime Minister of the Royal Thai government. The Deputy Prime Minister in his speech emphasized that the "ICA should commit to create the co-operative spirit in the region to acquire community support from all nations. The role of the trade and industry committee of ICA should be viewed in such a way that in the future a co-operative trade Organisation can be established as a trade forum for the co-operative movement".

Immediately after the Opening Ceremony, the Deputy Prime Minister inaugurated the trade Exhibition held at the Westin Chiangmai hotel, with co-operative products displayed by co-operative organisations in Thailand and other countries in Asia and the Pacific.

11th ICA-Japan Training Course

The 2nd part of the 11th ICA-Japan Training Course on Strengthening Management of Agricultural Co-operatives was held at IDACA, Japan, from 23rd February to 20th April, 1997. All 15 participants prepared their own developmental projects for submission to the Project Appraisal Sessions held in Tokyo from 24th February to 3rd March and revised their projects thereafter. The participants were exposed to the management practices of Japanese agricultural co-operatives and also studied them in depth during field study visits in Tokyo, Fukuoka and Shizuoka Prefectures.

A Conference of top leaders on "Collaborative Strategies for the Development of Agricultural Co-

operatives in Asia” was jointly organised by the ICA ROAP, JA-Zenchu and the IDACA at Tokyo from 14th to 19th April, 1997. The Conference was attended by seven senior level representatives of ICA member organisations from China, Indonesia, Republic of Korea, Philippines, Thailand and Vietnam. Inaugural addresses to the Conference were delivered by senior representatives from the MAFF-Government of Japan, JA-Zenchu, JICA, ICA and the IDACA. The Conference was also attended by the participants of the 11th ICA-Japan long-term Training Course.

3rd Meeting of the University/College Co-ops

The 3rd Meeting of the ICA Consumer Sub-Committee on University/College Co-operatives for Asia and the Pacific was held on 14-15 March, 1997 at Sasa International House, Thailand. 32 participants from India, Indonesia, Japan, Malaysia, Singapore, Thailand, Philippines and Vietnam attended the meeting. The meeting deliberated on a number of issues for the development of University/College co-operatives in Asia-Pacific region. Vietnam was admitted as a new member of the Sub-Committee. On 15th March, a study visit was organized by the host organization to a couple of consumer co-operative stores.

29th Consumer Committee Meeting

The 29th Meeting of the ICA Committee on Consumer Co-operation for Asia and the Pacific was held at Chiangmai on 23rd March, 1997. 29 participants from 14 countries attended the meeting. The meeting deliberated on a number of issues for the development of consumer co-operatives in Asia-Pacific region. The meeting reviewed the progress of the current years’ work plan and discussed the indicative work plan for 1998.

Meeting of Co-op Banking and Finance

An informal meeting of the Co-op Banking and Finance Committee for Asia and the Pacific was held at Chiangmai on 17th March 1997. 14 participants from India, Sri Lanka, Philippines, Thailand, Tonga and ICA attended the meeting. It was agreed that the name of the Committee should be ‘Regional Co-operative Banking Association (RCBA) for Asia and the Pacific’. The annual subscription for the RCBA was fixed as US \$100.

9th Meeting of the HRD Committee

The ICA Committee for Human Resource Development for Asia and the Pacific met in Chiangmai on 17th March 1997 to review the ongoing activities and to discuss the future activities for 1998. 35 member delegates from 11 countries attended the meeting. The presentations of the delegates revealed changes in the region in relation to HRD situation of co-operatives during the previous year.

Regional Conference on Women and Decision-Making

Women and Decision Making in Co-operatives was the theme of a successful May 7-9 Conference co-sponsored by the ICA ROAP and the Asian Women in Co-operative Development Forum, held in Tagaytay City, Philippines. Over 100 people from 15 countries participated. The situation of women in co-operatives internationally and in the Asia-Pacific was explored. Participants discussed ways to increase women’s participation in co-operative decision-making.

Incorporation of Co-op Identity in Co-operative Practice

The ICA ROAP organized a workshop to introduce Co-operative Identity Statement in the functioning of co-operatives as a follow up to its adoption in 1995. The objectives were to: reach a common

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

50 delegates from 12 countries in the Region and co-operative specialists attended the workshop. There were special presentations on the theme by Prof. Ian MacPherson from Canada, Dr. Peter Davis from U.K., and Mr. Gary Cronan from Australia.

Asia and Pacific Health Co-operative Organization (APHCO)

The Asia and Pacific Health Co-operative Organization was established at a general assembly held in Kathmandu, Nepal, on August 26, 1997. Co-operatives have been working on medical and health care exchange since the Tokyo International Health/Medical Co-op Forum in Tokyo in 1992. Following the forum, two Regional Conferences were held in Sri Lanka and India - leading to the General Assembly.

Faculty Exchange Programme between India and Sri Lanka

ICA ROAP sponsored an exchange of faculty members of the national level co-operative training institutions between Vaikunth Mehta National Institute of Co-operative Management, Pune, India and the School of Co-operation, Sri Lanka, in July-August 1997. This was the revival of such an exchange of experiences among co-operative training institutions for the first time after 1960s. HRD Committee of the ICA ROAP mooted the idea last year.

Two faculty members from India were attached to the School of Co-operation, Sri Lanka, for three weeks as the faculty. They have exchanged academic inputs with the on-going courses and helped them to be updated. They were also able to receive ideas about multi-purpose co-operative concept popular in Sri Lanka and the rural banking system.

At the next phase, VAMNICOM would receive two faculty members from Sri Lanka for three weeks in October, 1997.

30th Agricultural Committee Meeting

The 30th Meeting of the ICA Committee on Agriculture for Asia and the Pacific was held in Colombo on 14th August, 1997. The meeting not only highlighted the importance of food security and ways to increase productivity in the agricultural sector, but also agreed to hold a joint workshop with the consumers committee in October 1998 to seek optimum synergy in responding to the increasingly competitive marketplace. Hence specialized committees in the region gradually see the need for horizontal integration to maximize strategic alliance and/or collaboration.

Visit of Chinese delegation to Canada

A six-member delegation from the China Association for International Exchange for Personnel (CAIEP), All China Federation of Supply and Marketing Co-operatives (ACFSMC), the Ministries of Agriculture and Finance visited agricultural co-operatives in Canada from September 6 to 28, 1997. The Canadian Co-operative Association (CCA) sponsored the exchange programme between Chinese and Canadian co-operatives, and ICA ROAP was entrusted to co-ordinate the programme. Mr. Guo Yong Kang, Agricultural Co-operative and Trade Development Adviser, ICA ROAP, led the mission to Canada.

The mission was aimed at strengthening linkages between Canadian and Chinese co-operative organizations. ICA ROAP co-ordinates the programme with the view that more commercial co-operation

could develop among viable co-ops, supported by technical co-operation in the field of legislation and trade, as well as other significant value added components to the linkage program. It was agreed that the CCA would send a delegation to China in April 1998 in order to further strengthen co-operation between Chinese and Canadian co-operatives.

12th ICA-Japan Management Training Course

The 12th ICA-Japan Training Course on Strengthening Management of Agricultural Co-operatives in Asia, organized by ICA with funding support from the Ministry of Agriculture, Forestry and Fisheries (MAFF) of the Government of Japan and with the active collaboration of JA-Zenchu/CUAC and IDACA, as well as participation from other ICA member organizations in the Asia-Pacific region, commenced in New Delhi on October 20, 1997. The Training Course was inaugurated by the Ambassador of Japan, Mr. Sakutaro Tanino following remarks by the Project Director, Dr. Daman Prakash and a welcome address by the ICA ROAP Regional Director.

Fifteen participants (including five women) from ten countries - Bangladesh, China, India, Indonesia, Malaysia, Myanmar, Pakistan, the Philippines, Sri Lanka and Vietnam - will travel with the course to India, the Philippines and Japan.

A follow-up review workshop will be held with former participants in the Philippines. It will explore the present situation of the movement and implementation of project proposals.

7th Training Course for Rural Women Leaders of Agricultural Co-ops

The 7th Training Course for Rural Women Leaders of Agricultural Co-operatives in Asia, conducted by the ICA ROAP, in close collaboration with the Institute for the Development of Agricultural Co-operation in Asia (IDACA) was held in Tokyo, Japan, from November 4 to December 3, 1997. Six women leaders, two each from India, Pakistan and Sri Lanka, attended the programme. The main focus during the training course was laid on the organization, activities and development of women's associations in the agricultural co-operative sector in Japan.

2nd Asian Top Leaders Conference of Women Farm Leaders

The ICA ROAP in collaboration with the JA-Zenchu/IDACA and the AARRO held the 2nd Asian Top Leaders Conference for Women Farm Leaders of Agricultural Co-operatives in Asia in Tokyo from 4th to 10th November, 1997 with a view to emphasize the need for providing opportunities for the further development of rural farm leaders, especially among women. Approximately 43 women leaders from the agricultural rural sectors from ICA and AARRO member countries including the above mentioned six participants from India, Sri Lanka and Pakistan participating in the 7th Training Course for Rural Women Leaders of Agricultural Co-operatives in Asia, attended the conference. In addition, observers from the Japanese Agricultural Co-operative Movement and international organizations were also in attendance.

ICA ROAP sets strategic agenda for the next five years

The ICA ROAP held its second phase strategic planning exercise following the initial one conducted in August 1997. It was held at Bonow House in New Delhi from October 13 to 15, 1997, and facilitated by ICA Head Office staff, namely Messrs. Bjorn Genberg and Claes Thorselius. The ICA ROAP staff identified the region's focal points until 2002. Lengthy discussions revealed key result areas as follows:

- Policy and legislation (conducive socio-economic environments)
- Leadership and professional management

- Trade
- Women in Co-operative Development
- Agriculture (focus: food security/the environment)
- Development partners' priorities (focus: Consumer co-operatives)

ICA's key projects were reviewed and identified, including the new one being submitted to the Government of New South Wales, and continuation of previous ones sponsored by CICOPA, JCCU, MAFF, CCA/DID and SCC. These projects include:

- policy reform and management project
- new sub-regional programme for Central Asia
- agricultural co-op management training
- value-based management training international co-op trade network
- CICOPA
- Consumer development project
- Case studies in fair trade
- Women leaders training
- Rural women leaders training
- Agricultural co-op development
- New project

A five-year development plan based on the session will be prepared and submitted to ICA members in this region and also international development partners all of whom are important stakeholders. This presentation will be made at a meeting that will be convened in February 1998, hopefully in Tokyo.

The above strategic plan only covered the development component and has yet to address the governance/policy as well as management components. Governance and policy will be planned together with ICA ROAP Standing Committee, whereas management with in-house staff and Geneva HO representative.

30th Meeting of the ICA Committee on Consumer Co-operation for Asia and the Pacific and the International Conference on Youth in Co-ops

The 30th Meeting of the ICA Committee on Consumer Co-operation for Asia and the Pacific was held in Tokyo on October 24, 1997. Delegates from five member countries (India, Japan, Malaysia, Sri Lanka, Philippines, Indonesia and Vietnam) attended the meeting. This meeting was preceded by an International Youth Conference organized by the National Federation of University Campus Co-operative Associations (NFUCA) a few days earlier. There was good participation from youth delegates from India, Malaysia, Philippines, Indonesia, and Vietnam, and more than 40 participants from Japan itself.

International Symposium on Co-operative Environmental Initiatives

An International Symposium on Co-operative Environmental initiatives was held by the Japanese Consumers' Co-operative Union (JCCU) at Waseda University, Tokyo. The Symposium invited four guest speakers, namely Mr. Peter Bear from the Federation of Migros Co-operatives (Switzerland), Mr. Toshifumi

Yamashita from Co-op Tokyo, Mr. Ulisse Pedretti from Co-op Italy, and Mr. Robby Tulus, Regional Director, ICA ROAP.

The Symposium was organized by JCCU to anticipate the debate on climatic change and global warming during the COP (Convention of Parties)-3 due to be organized by the United Nations in Kyoto in December, 1997.

International Forum on the Use of Subsidiaries by Co-ops

The International Forum was organized by the National Agricultural Co-operative Federation of Korea (NACF) and introduced important case studies from successful co-operative organizations such as Bay Wa AG (Bavaria, Germany), CEVECO Handelsraad (the Netherlands), Saskatchewan Wheat Pool (Canada), ZEN-NOH (Japan), and NACF themselves. A theoretical framework on co-operative subsidiaries was also presented by the Chief Executive of Plunkett Foundation (UK), followed by a field trip and country presentations. The ICA Director General and ICA Regional Director participated at the Forum, and Mr. Won-Sik Noh, Agriculture Advisor at the ICA Head Office in Geneva co-organized the Forum with NACF. The Forum was an eye-opener for many co-ops in the developing countries in Asia, which learned first hand from how innovative undertakings could lead to competitive strength of co-ops.

Third Co-operative Summit of the Philippines

The Third Co-operative Summit of the Philippines was held in Cebu, the Philippines, from November 5 to 7, 1997, with the theme : "Co-operative Excellence towards Economic Growth." It was inaugurated by H.E. Fidel V. Ramos, President of the Republic of the Philippines, followed by a presentation of the Regional Director of ICA ROAP who was the only guest speaker invited by the organizers to speak during the first day plenary session of the Summit. Over 5000 co-operators were in attendance, and the Co-operative Development Authority organized the event in close collaboration with co-operative organizations from Region VI, VII, and VIII in the Visayas. Foreign guests included representatives from Zen-Noh, CCA, Myanmar Co-ops, and Indonesia Co-ops.

The Summit touched on salient issues such as globalization, gender/youth and development, co-operative financing, legislative reform, support services, co-operative collaborative agenda (Apex), and local governance.

ICA/ILO Coopnet Preparatory Workshop on Co-op Leadership Training

The ICA ROAP in collaboration with the ILO Coopnet held a preparatory workshop on Co-operative Leadership Development for Women from 9-11, December, 1997 at Kuala Lumpur, Malaysia, hosted by ANGKASA. 20 participants from India, Indonesia, Japan, Malaysia, Singapore and Sri Lanka, ASCF, CCA, ILO Coopnet and ICA participated in the workshop. The workshop discussed the necessity and feasibility of developing a women's leadership training programme for co-operatives.

Impact of Current Economic Crisis in the Region And Ways Co-operatives Adjust to the Changing Environment – View from Singapore

by Tan Kin Lian

Chairperson, Singapore National Co-operative Federation (SNCF)

1997 Crisis

The economic crisis in Asia started in July 1997 with the devaluation of the Thai Baht and has continued up to now. It has affected many countries in Asia with severe declines in the value of their currencies and stock markets. This had led to high inflation rates affecting the prices of food and basic necessities, business failure, retrenchment, loss of employment and a weakened economy.

Before the Crisis

Prior to the crisis, Singapore had a robust economy. The economic growth rate in 1996 was 7.0%. The per capita income was US \$30,400. There was full employment with a tight labour market. The healthy economy provided employment for 1,800,000 people, of whom about 350,000 are foreign workers. Interest rates were low and the stock market was healthy.

In this favourable economic environment, the co-operative sector performed well. The total membership of the movement was 972,000 in 1996, with total assets of S\$3.5 billion (US \$2.2 billion).

The two largest co-operatives were in the insurance sector (NTUC INCOME with 518,000 members) and the consumer sector (NTUC FAIRPRICE with 347,000 members). They had to compete in an open market environment. Through operating efficiently and using its co-operative values, they were able to achieve a leading market ranking. NTUC INCOME is the third largest insurer and NTUC FAIRPRICE is the largest supermarket chain.

The credit sector comprised of 35 co-operatives with 66,000 members. Most of these co-operatives operate in their niche areas, catering to members in specific workplaces and provide opportunities for members to save regularly and to apply for loans.

The remaining co-operatives are largely owned by co-operatives and provide services to the general public in the areas of pharmaceutical products, dental services, food outlets, housing, and radio broadcast. These co-operatives do not have a membership base to patronise their services.

Impact of the Crisis

The economic crisis has impacted Singapore severely, although not to the same extent suffered by some Asian countries.

The Singapore stock market has declined by 30% during 1997. This has affected not only the financial institutions and business enterprises, but large number of people who invest their retirement savings in the Central Provident Fund and their personal savings in equities, unit trust and insurance policies. At the worst stage, the drop in the stock market was more than 50%.

The economic crisis has led to a sharp increase in interest rate. Prior to the crisis, the short term interest rate was about 3%. This increased to 20% and its peak and is now hovering around 7%. The interest rate on housing and car loans has increased by 1% to 2%, adding to the financial burdens of many

people who have bought their homes or cars on financing. We are beginning to see an increase in loss of jobs and retrenchment due to downsizing, restructuring and business failures.

The Singapore dollar has depreciated by about 20% against the US dollar during the past year. The impact of the economic crisis on the co-operative sector have been significant. The insurance co-operative suffered a depreciation of about S\$230 million in the value of its investments during 1997. While this is a large sum of money, and is the worst in its history, it was well covered by the free surplus and reserves of about S\$700 million that was accumulated during the past years. Sales of insurance products have started to decline, as people have less money to spend during the difficult economic climate. A higher percentage of policyholders are starting to surrender or take loans against their life insurance policies. While the increase is still modest, it is expected to continue in the future.

The supermarket co-operative appears to be relatively sheltered from the impact of the economic crisis. People still need food and basic necessities, during hard times. Their supermarket sales continue to show growth, although at a more modest rate. There is increasing competition with the entry of large retailers from overseas, but the co-operative is able to compete successfully. The co-operative continues to play an important role in moderating the food prices in spite of higher import cost due to depreciation of the local currency against the US dollar, where most of its imports are denominated.

The impact of the crisis on the credit co-operative is more immediately felt. The increase in short term interest rate has resulted in more withdrawal of savings from credit co-operatives to enjoy the higher rates paid on bank deposits. Some co-operatives responded by increasing the interest rates paid on their savings, while others have to suffer an outflow of funds. In the months ahead, these credit co-operatives may be impacted by higher default rates on their loans, as their borrowers are unable to repay due to loss of jobs, or higher interest costs. These two factors will impact adversely on the financial position of the credit co-operatives, especially the smaller or weaker ones, and have to be monitored closely.

For the housing co-operative, the problem is more severe. The co-operative has several large housing projects under development. The property market has softened considerably, due to oversupply and uncertain economic outlook has depressed demand for private properties. While the housing co-operative is able to delay some of the projects, the carrying cost of the land and unsold properties will impose a heavy strain on the co-operative and its shareholders.

Responses of the Co-operative Movement

The Co-operative Movement in Singapore has been able to weather the economic crisis well. Its two largest co-operatives, which account for 89% of the total membership, are financially strong and robust and have been to respond well to the impact of the crisis.

They will have to continue to improve their business efficiency and competitiveness, respond to the changes in the market brought out by customer preferences and globalised competition, and strengthen their co-operative identity and values.

The crisis has made it more urgent for the credit co-operatives to improve their business efficiency and management. Two projects are being implemented and will now be accelerated. One projects aims to provide computer services to these co-operatives through a centrally operated computer bureau. This will enable the credit co-operative to upgrade their business efficiency at a modest cost, with the development cost shared by several parties. The second project aims to make the credit co-operatives more aware about their risk exposure to manage them better.

The Co-operative Movement will also intensify its activities to educate its employees and leaders about co-operative values, principles and practices and to create greater awareness among its members, the general public and leaders in the community about the role of co-operatives in a modern society.

Impact of Current Crisis in the Region and Ways Co-operatives Adjust To the Changing Environment - A Case Study of India

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Current Economy Scenario

The economic scenario in India has undergone drastic changes during the last seven years ever since economic reforms were initiated in July 1991. The new economic policy aims at fiscal stabilisation and structural reforms. A quick look at the results of the new economic policy reveals that the Gross Domestic Product at constant 1980-81 prices increased by 5.3% in 1992-93 and showed a step-up to 7.2% in 1994-95 and this growth rate was maintained at 7.2% in 1995-96 and 7.5% in 1996-97. The inflation rate which reached double digits in 1991-92 gradually came down and stands at 5.8% now. The improvement in the overall growth performance of the Indian economy has been facilitated by successive good monsoons which have appreciably improved the performance of the agriculture sector. Agriculture sector recorded average growth rate of 3.8% per annum from 1992-93 to 1994-95. However, agriculture production suffered a set back in 1995-96 when the food grains production declined to 185.0 million tonnes. The production estimates for food grains in 1996-97 was placed at 198 million tonnes. The average annual growth rate in the agriculture sector for the entire 8th plan period (1992-93 to 1996-97) works out 3.6%. As regards industrial sector, the impact of liberal economic environment was lukewarm in 1992-93 (2.3%) but improved in 1993-94 (6.0%). The industrial sector recorded substantial recovery in 1994-95 with a growth rate of 9.4% and in 1995-96 with growth rate of 11.8%. In 1996-97, the growth rate for the industrial sector has, however, slackened to 6.6%.

An important fact to be noted is that despite good agricultural seasons during the 8th plan period, agriculture output particularly in the foodgrains sector did not realise its potential. The target for food grains production for the terminal year of the 8th plan was set at 210 million tonnes. However, as per latest assessment, the food grains output has been estimated at 198 million tonnes showing a shortfall of 12 million tonnes. One of the reasons for this lower output has been inadequate growth of investments in the various components of agriculture sector such as irrigation, rural road, rural electrification, marketing yards, etc. Keeping this aspect in view, strenuous efforts have to be made towards accelerating investments and capital formation in the agriculture sector along with availability of timely and adequate credit.

The co-operative sector can play a pivotal role in accelerating agricultural growth through (I) provision of adequate agricultural credit for production and investment through the co-operative credit and banking system; (ii) making available agriculture inputs like fertilisers, quality seeds, pesticides, agriculture implements, etc., and (iii) development of processing facilities for commodities like sugarcane, milk, cotton, etc. Thus, the approach to co-operative development under the existing economic situation may have the following visualisations:

1. Re-orientation of activity profile of agriculture co-operatives towards faster growth of foodgrains and agro-based activities;
2. Critical positioning of community and co-operative land development programmes in regard to food security, agriculture inputs and employment generation;
3. Augmentation of co-operative sector in areas where it has an inherent advantage on the basis of costs and profit levels.

Growth and Development of Co-operatives in India

With the introduction of economic reforms in India since 1991, the process of liberalisation and globalisation has been penetrating the various segments like banking, international trade, monetary and financial sector, etc. Under this framework, the co-operatives are helping in stabilising the market prices of essential commodities through its retail outlets and through market intervention of procurement operations. Co-operatives account for 36% of rice output and 21% of jute output procurement in the country. The National Agriculture Co-operative Marketing Federation is extending price support measures in respect of oilseeds, coarse grains, pulses, potatoes, onions, etc. The co-operatives are also playing a crucial role in the processing of agriculture produce such as sugarcane, milk, cotton, etc. Further, they help the weaker sections of the society like small and marginal farmers, landless labourers, artisans and fishermen through special programmes which bring them to the mainstream of the national economy. Co-operative do face the challenges and competition in the present economic scenario. However, they continue to grow with 4.11 lakh co-operative societies with a membership of more than 19 crores*¹ and working capital of more than Rs.131,384 crores. The co-operatives are strong in the credit and banking sector accounting for about 60% of total agriculture credit disbursement as also in fertilisers distribution with 31% of the total fertiliser consumption in India. The share of co-operatives in sugarcane production is about 59% and the coverage in the case of handloom (textiles) is of the order of 55%. The warehousing capacity under co-operative storage programme has increased from 80 lakh tonnes in 1984-85 to 136 lakh tonnes in 1995-96.

Despite the importance of co-operative sector in the overall development of Indian economy, the movement suffers from various constraints and handicaps like lack of professional management, weak financial (resource) base, and co-operative laws and taxation laws not conducive to the growth of the co-operative sector. In the wake of economic reforms, the private corporate sector and the multi-nationals with their vast financial resources, excellent management cadres and international marketing network are taking full advantage of the various opportunities which are now available to them through the process of privatisation and liberalisation. In the competitive milieu of a free market economy, it is critical for co-operatives to adapt themselves to the postulates of a growing competitive economy. The occasion, therefore, calls for a serious introspection by the co-operatives with a view to strengthen their capabilities in terms of business development, professionalisation of manpower and strengthening of financial base. They should also bring about all round efficiency in their operations. To face the daunting challenges emerging in the coming years, the co-operatives should advance in those segments of economic and social activities where they have a natural and inherent advantage. The co-operatives should take advantage of their organisational structure and the wide network linking up primary producer/consumer to the tertiary level of economy. Further, co-operatives are based on the democratic values of mutuality, equality, integrity, etc. The Indian society would continue to accept them as a vehicle for social and economic changes but to sustain social support, effective performance by the co-operatives in their spheres of specialisation is a must. The performance capability acquired by co-operatives through their adherence to financial values and efficient management along with cost effectiveness will alone give them the inherent strength to face new challenges in a market oriented environment. That indeed is the critical task ahead at this juncture for co-operatives.

A study of functioning of the co-operative structure in India has shown the various weaknesses such as: (i) weak structure at primary level; (ii) working of the various co-operatives in isolation rather than as a united system; (iii) lack of responsiveness of federal organisations towards the needs of their constituent members; (iv) declining patronage of user members; (v) lack of scientific manpower planning and development strategy, (vi) lack of value additions and technology absorption; (vii) absence of adequate infrastructure at the grassroots level; (viii) weak information technology and planning mechanism; (ix) slow

progress towards computerisation and mechanisation of banking operations; (x) over-dependence on support of Government/Governmental institutions.

Action Programme for the Co-operatives

In the interest of revitalisation of the Co-operative Movement in India, the various deficiencies and handicaps as mentioned above will need to be tackled on an urgent basis in the coming years. An appropriate action programme for the overall development of co-operatives will have to be undertaken. The co-operatives themselves have to formulate their own action plans to face the challenges of a liberalised environment and to capitalise on the gains and opportunities flowing from the new environment. Guide points will have to be developed by the co-operatives in the areas of business development; professionalisation of management; introduction of modern technology; effective inter-play of inter-co-operative relationships; mobilisation of deposits and rural savings; enhancing participation of members in the decision-making process and reducing dependence on government and governmental agencies.

Structural Reforms

The structural reforms would imply amalgamation and integration of non-viable co-operative societies with the viable societies for their revival and in the event of failure of revival, move for their liquidation. Thus, there should not be any hesitation for undertaking mergers and vision of co-operative societies if the criterion of viability of co-operative societies demands it. The federal organisations should essentially function through their constituent member societies. Every co-operative society should formulate well-defined norms for participation of its members in its business. The delinquent members should be delisted from the membership register of co-operatives.

A Framework for Co-op Paradigm

In the context of current economic situation, the co-operatives could greatly help in accelerating the overall growth rate in the economy by helping the growth process in the agricultural sector and devising appropriate strategies for flow of credit to the farming community and by ensuring regular and adequate supply of agriculture inputs. The emphasis on these activities would involve fine tuning of co-operative policies in the financial, credit, sugar, dairy, fertiliser and marketing sectors. An attempt is made here to dwell on some of the policy approaches for the development of these agriculture-oriented co-operatives.

Co-operative Credit Sector

There are two separate organisational structures for providing production finance and investment finance respectively. The sector of agriculture credit co-operatives providing production finance is made up of village level multi-purpose co-operative societies known as PACS; the federal organisations at the district level known as District Co-operative Banks and apex organisations known as State Co-operative Banks. The total number of PACS is around 92,000 which have covered all the villages in India. However, a large number of PACS are at present non-viable. Efforts are being made to convert the PACS associated with losses into profitable credit institutions through the process of Business Development Plans. It is felt that the PACS under Business Development Plans should be exposed to such socio-economic activities which are attractive and at the same time are profitable for the members and the credit institutions. Concerted efforts have to be made for reduction of loan overdues. To improve the profitability of PACS, they should be allowed diversification of their operations depending upon the requirements of the rural community in the areas of their operations. Further, the co-operative banks should take advantage of the de-regulated interest rate structure and should determine their lending rates keeping in view their financial cost of raising resources.

In the case of investment finance, there are Co-operative Agriculture and Rural Development Banks

(ARDBs) at state level and branches/primary banks at district/tehsil level. These banks provide term loans for investment in agriculture and rural non-farm sector activities. The National Bank for Agriculture and Rural Development (NABARD) provides refinance facilities to these banks apart from other supportive measures for institutional development. Attempts are now being made to reduce the excessive dependence of ARDBs on government agencies like NABARD by increasing their own funds through mobilisation of deposits.

Loan overdues have a direct impact on non-performing assets of the co-operative banks. Attempts are therefore being made by the Banks to improve recoveries both through persuasive and legal measures. Causes behind overdues in this will have to be identified and tackled for recycling the funds and for viability of operations.

Thus in the coming years, the co-operative credit institutions have to strengthen their financial base through deposit mobilisation and other means for broadbasing their loans portfolio. Simultaneously they should plan their strategy for reducing their non-performing assets. In the Indian context when it comes to rural credit, there is no alternative to co-operatives looking to their widespread structure, organisational capabilities and long experience.

Financial Sector Reforms

An important component of the economic reforms in India has been the financial sector reforms. Reforms in this sector have been carried out in accordance with the recommendations of a Committee known as Narasimhan Committee. This Committee had made recommendations with a view to promote efficiency, productivity and profitability of the financial system. This was based on the scenario that vibrant, competitive and healthy financial system is necessary to sustain the economic reforms. Norms for income recognition, assets classification and capital adequacy have been introduced in the public sector banks. As a result, the profitability of public sector banks have improved and the proportion of non-performing assets (NPA) have come down. These prudential accounting norms have also been extended to the co-operative credit and banking sector in 1996-97. They would however need some time to comply with the provisioning norms and to adjust themselves to the fast changing scenario in the banking and financial sector.

The long felt need for setting up an apex level co-operative bank has been recognised both by the Government of India and the Reserve Bank of India, to bridge the systemic gap in the co-operative credit and banking sector. With their approval, the Co-operative Bank of India (COBI) has been incorporated under an Act known as Multi-State Co-operative Societies Act. However, this Bank has not yet started its banking operations due to lack of appropriate amendments in the Banking Regulation Act. Efforts are being made to operationalise this Bank through necessary amendments in the Banking Regulation Act.

A few sector specific profiles are given in the Annexure as to the status and future of co-operatives. The crisis in the economy in the South East Asian Region in the recent months had only marginal impact in India so far. However, due to liberalisation and globalisation of the Economy it is hard to insulate the economy completely from turmoil in the region. Competition in the economy is growing and efficiency is the keyword for co-operatives to be competitive. Those co-operatives which are financially weak and operationally non-viable will have no future as government patronage and government support will be out of tune as a matter of government's new economic policy and reforms package. This could lead to certain structural adjustments even in co-operatives with emphasis on self-reliance, financial viability and operational efficiency. Co-operatives as economic enterprises have to be more business like and less as agencies promoted and supported by the Government for implementing the Government sponsored programmes for realising the socio-economic objectives. This calls for drastic changes in the Government policies towards co-operatives and comprehensive amendments in the Laws governing operations of co-operatives.

SECTORAL PROFILES

Agro-Processing

At present, co-operatives are processing a significant proportion of the total output in the areas like sugar, milk, cotton, etc. The areas where co-operatives could produce quality goods at competitive rates would need to be identified. The National Co-operative Development Corporation (NCDC) has been providing thrust in the promotion of food processing capacity in the co-operative sector. The NCDC financial support is available for modernisation and technology upgradation of processing plants also. In the context of greater emphasis on agricultural exports in recent years, processing of fruits and vegetables and floriculture has assumed great importance. In fact, agro-processing of select agricultural produce is being developed as a part of integrated development projects, linking of raw material production with marketing and sales promotion. The Planning Commission in India has recently decided to accord top-most priority to encourage co-operatives in the agro-processing sector.

Co-operative Sugar Industry

The co-operative sugar industry represents an important link between agro-processing industry and the farm sector. Co-operatives account for over fifty percent of the total sugar production in the country. The sugar co-operatives, besides providing remunerative prices to the cane growers, have also contributed to the socio-economic development of the surrounding rural areas by providing facilities like agriculture extension, education, health and recreation facilities. This model needs to be extended in the coming years in other areas also as a catalyst of socio-economic development.

Dairy Co-operatives

The development of dairy co-operatives since early 70s had a significant impact on increasing milk production. The development of dairy co-operatives started in India with the successful experiment at Anand in Gujarat. This was followed by Operation Flood Programme launched by the Government of India. The implementation of this programme has helped in increasing milk output from 34 million tonnes in 1981-82 to about 66 million tonnes in 1995-96. In the coming years, efforts are being made to replicate the Anand experiment in other parts of the country. However, to make this programme successful, adequate steps will have to be taken to ensure availability of milk through the co-operative channels by implementation of various livestock development projects. It would be necessary to adopt an integrated approach to production, procurement, processing and marketing of milk along co-operative lines.

Co-operative Fertiliser Sector

The co-operatives are engaged both in production of fertilisers as also in their distribution. The co-operatives are, at present, producing around 22% of the total indigenous nitrogenous and phosphatic fertiliser in the country. In the coming years, the existing efforts towards modernisation and upgradation of the existing fertiliser capacity in the co-operative sector has to continue. Their efforts in educating the farmers on balanced use of fertilisers has also to continue. In the interest of promoting utilisation of resources and to generate economies of scales, it is necessary that the existing Price Retention Formulae for fertilizers need to be modified. A High Power Group appointed by the Government of India in this regard has looked into various aspects of pricing of fertilisers. It is hoped that the recommendations of this High Power Group would help in promoting balanced use of fertilisers on a continuous basis and in the process promote enrichment of soils and crop productivity.

Marketing Co-operatives

The co-operative marketing sector consists of National Agriculture Co-operative Marketing Federation of India (NAFED) at the national level, State Level Marketing Federations and District/Regional Level Federations. There are separate marketing arrangements in a few states where there is a concentration of tribal population. In these areas, the Large Multi-purpose Co-operative Societies (LAMPS) at the primary level and Tribal Co-operative Development Corporations/Federations at the state level are engaged in marketing of minor forest produce of the tribals.

While the agriculture co-operative marketing structure is quite comprehensive in terms of organisation, its impact on the market as a whole is not very significant. The co-operative marketing organisations have a commanding share only in those commodities which are procured by them. Obviously, co-operative marketing structure at various levels will have to be strengthened. This is particularly important now because marketing of agriculture commodities in the export sector would be governed by the various provisions of the VVTO regarding removal of quantitative restrictions on their exports through an approved time-frame.

Human Resource Development

It is proposed to strengthen the existing training and education system relating to HRD in India on modern and scientific lines under the aegis of National Co-operative Union of India, an apex co-operative organisation. The overall objective of co-operative education and training programmes is to bring about improvements in the working and management of co-operative societies through motivation of members and leaders at the grassroots level besides creation of awareness among masses about co-operatives. Attempts are being made to replace the traditional system of management in co-operatives by modern HRD techniques and in the process promote management excellence and the development of co-operative leaders who are members of the Board of Directors in various co-operative organisations. The Leadership Development Programme will be made an integral part of the HRD strategy, which in turn, will get integrated into the overall development plans of the co-operative organisations. The leaders and managers will also have the benefit of market information system to acquaint them with the latest data package relating to their field of operations. To sustain management excellence in co-operative system, it will be necessary to streamline their recruitment policies and procedures on a scientific basis and adopt performance linked wages and incentive system. At the same time, it will be necessary to design suitable career development plans for the work-force of the co-operatives. Through such methods, it will be possible to create a conducive organisational environment to enable the leaders and staff to work as a well-knit team to achieve agreed goals and responsibilities. HRD techniques such as work system studies, self-renewal systems and performance appraisal system will be implemented to face the challenges emerging from the now liberal economic environment. In order to implement these expanded training and education programmes, it is proposed to approach the Government of India for adequate budgetary support.

A crucial challenge facing the Indian economy in the coming years is that of maintaining and sustaining economic development over a period of time. This is possible through an efficient management of principal resources comprising of land, water and labour. Co-operatives are the only institutional instruments available in rural areas to assist local bodies in the optimum utilisation of these resources. As a part of the education programmes, it is also proposed to improve the functional skills of farmers and artisans so as to enable them to absorb the latest technology parameters in their spheres of activities. The co-operatives could also continue to play a crucial role in social education, rural education, and cultural activities on the pattern of fertiliser co-operatives like IFFCO and sugar co-operatives in India.

Korean Agriculture in the Recent Financial Crisis

by **Shil-Kwan Lee**

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National Agricultural Co-operative Federation (NACF)

Introduction

Looking at the background of the crisis in Korea, it suffered from many factors such as weakness of the financial sector including management of foreign debt, overvalued property market, strong government intervention over entrepreneurs, rash business expansion, especially of conglomerates.

The government responded to recent problems by injecting liquidity and introducing measures to facilitate liquidity flows to ailing enterprises.

Through prompt implementation and acceleration of the adjustment programme, confidence has gradually improved, the international community came in with additional support, and credit banks started to restructure Korea's debt. The government has successfully completed social dialogue with unions and employers, and the success will ensure that the overall adjustment programme will be implemented with social stability.

Outlook of National Economy

Based on estimates from economic research institutes, economic growth in 1998 is expected to increase to 2.5% from an optimistic view, otherwise to minus 3% from a pessimistic view.

A backward step of the Korean economy will inevitably deteriorate the level of employment. The research institutes foresee the unemployment rate is estimated at 5-6%. The effect of won-dollar exchange rate depreciation will accelerate inflation. Domestic consumer prices are expected to soar up to near 10%. The foreign exchange rate will remain unstable until the second quarter of 1998. Thereafter, it is expected to be stable at a level of 1,300-1,500 won to 1 dollar, which was 807 won in 1996.

Outlook on Principal Economic Indicators 1998

Estimate Sources	Growth rate	Unemployment Rate	Price Increase
Financial Research Institute	0.7%	6.2%	10.1%
Samsung Research Institute	-3.0-2.5	5.0-6.2	7.5-8.2
LG Economic Research Institute	-1.3	Over 5%	Over 7%
Daewoo Economic Research Institute	-3.0	6.3	9.8
<i>Figures in 1996</i>	<i>6.9</i>	<i>2.0</i>	<i>4.9</i>

Outlook on Agricultural Economy

Farm Income

Farm income in 1998 is expected to decrease 6.3%-11.4% according to the different exchange rate estimates.

Prospect of Farm Income (thousand won)

1996	1997 (estimate) (A)	Prospect (1998)		Increase Rate	
		1,300 won dollar (B)	1,500 won dollar (C)	(B/A)	(C/A)
10,837	11,461	10,736	10,158	-6.3%	-11.4%

The won depreciation will lead to drastic increase of farming cost such as gasoline, feed, fertilizer and farm machinery.

Estimated Price Increase in 1998

Gasoline	Feed	Fertilizer	Farm machinery
77.5%	37.0%	35.3%	9.0%

The damage sector from these price increase will be focused on livestock and greenhouse farming.

Rice Farming

Management expenditure of rice farming is expected to increase 12.8%, and total production costs to 6.5%, on the assumption of 1,500 won per dollar.

	1996	1998	Increase rate
Management expenditure per (10a)	217,294	245,203	17.9%
Production costs (per 10a)	442,441	462,293	08.8%

Income of rice farming is estimated to decrease 4.1% compared to 1996

	1996	1998	Income growth rate
Income (10a)	6,970	6,682	4.1%

The impact on rice farming is anticipated to be relatively less than green house farming and livestock husbandry. Accordingly acreage of paddy field in this year is not likely to shrink due to absence of possible alternative farming.

Greenhouse Farming

Management expenditure of greenhouse farming is foreseen to increase 26.5%-40% according to different crops on the assumption of 1,500 won per dollar.

(thousand won)

Crop (10a)	1996	1998	Increase rate
Cucumber (Vinyl house)	5,182	6,894	33.0%
(Glass house)	11,320	14,880	
Tomato (Vinyl house)	3,423	4,721	31.4
Rose (Vinyl house)	8,777	11,102	26.5
Lily (Vinyl house)	9,297	13,019	40.0

Income of greenhouse farming is expected to decrease to 20.2-54% in 1998.

(thousand won)

Crop (10a)	1990	1998	Increase rate
Cucumber (Vinyl house)	7,230	5,518	24.7%
(Glass house)	9,397	5,837	40.9
Tomato (Vinyl house)	4,450	3,152	30.2
Rose (Vinyl house)	11,496	9,171	21.7
Lily (Vinyl house)	6,803	3,082	55.6

Livestock Husbandry

Farm management expenditure of livestock husbandry is estimated to increase 13% in cattle and 30.6% in hog raising on the assumption of 1,500 won per dollar.

(thousand won)

	1996	1998	Cost growth rate
Cattle (per head)	2,670.3	3,016.1	13.0%
Hog (per head)	128.1	167.3	30.6

Farm households engaged in livestock husbandry are facing the worst situation among farming sectors. Farm incomes of cattle and hog husbandry are foreseen to decrease 60.5%, and 123.2% respectively.

(thousand won)

	1996	1998	Cost growth rate
Cattle (per head)	571.6	225.7	60.5%
Hog (per head)	35.6	4.6	113.2

Co-operative Role for Farmers

Agricultural co-operatives started to take measures to ease the situation in the farming sector. The measures mainly concentrated on reducing farming costs through adjustments of farming patterns and substituting imported inputs with domestic resources. The NACF summarized 100 items of cost saving

areas from various types of farming collected from member co-operatives and drew up a financing plan to implement the plan titled "Cost-Saving Farming".

Greenhouse Farming

Heating cost is one main area to save farming expenditure by finding substitute for gasoline heating, improvement of heating efficiencies and adjustment of farming seasons.

Livestock

To reduce dependence on imported feed, various methods and ideas to substitute with local resources are included in the plan such as production of pastures and use of waste food.

Rice farming inputs

In order to economize rice production, expansion of production scale and improvement of post harvest are main areas included in the plan.

General farming inputs

Cost reducing methods of marketing and stabilized prices, expansion of direct trade between producers and consumers are stressed in the plan. For this purpose, NACF recently opened a new distribution center in Seoul.

The Development of China's Supply and Marketing Co-operatives

By Li Bao Rong

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All China Federation of Supply and Marketing Co-operatives

Since the opening-up and reform policy was adopted in 1978, Chinese co-operative economy, especially China's supply and marketing co-operatives (CSMCs) have been brought into a new era of development. CSMCs have made great contribution to China's economic construction and other undertakings, and their economic strength have been dramatically improved. The preliminary estimates show that by the end of 1997, there were 32,000 grassroots co-operatives, over 2,300 country-level co-operative federations, 29 provincial, municipal or autonomous regional federations and 10,000 or so various specialized co-operatives as well as more than 240,000 service networks of all types. The number of co-operative employees is over 4.5 million, the co-operative capital assets are valued RMB 500 billion yuan (equal to US\$ 60.3 billion).

Since the Fourteenth National Congress of the Community Party of China (NCCPC), Chinese socialist market economic system has been pushed forward in an all-round way. In line with these significant changes, CSMCs have conducted new exploratory and pilot reforms as follows:

Making co-operatives truly farmers' economic organization

For historical reasons, CSMCs were for a period of time controlled by government instead of members and lost their cardinal nature. In recent years, the co-operatives have made some preliminary progress in restoring their due features as a result of the reform. Firstly, members' share capital has sharply increased. Secondly, the co-op services for farmers are strengthened. Thirdly, the member's democratic management is obviously enhanced.

Establishing diversified specialized co-operatives complying with the market.

This is the most fruitful result of CSMCs' development in recent years. The most conspicuous feature of the specialized co-operatives as well as their vitality, is that co-op as a part of social services system are directly linked with the market and involved in competition. Nowadays, specialized co-operatives, especially those based in certain commodities, such as vegetable, fruit, livestock and so on have mushroomed up in Shandong, Hebei and other provinces showing their great cohesion and vitality, and co-operatives are becoming larger in scope and more standardized in operation. These co-operatives give farmers more benefits in production, processing and marketing.

Accelerating the steps of co-operative legislation

Chinese co-operative organization develops rapidly, but never has a co-operative law been stipulated until now. Market economy must be ruled by law. The co-operative legislation becomes more and more important for the healthy and smooth development of co-operative organizations under the market economy. The Law on Chinese Supply and Marketing Co-operatives, having been listed on the agenda by national legislation and administration authorities, is expected to get through and enacted during the period of the Ninth National People's Congress of China (1998-2003).

Reforming the co-operative enterprises to meet the need of market economy

According to the preliminary estimates, the number of above country-level co-operative owned enterprises is about 30,000. The historical reasons make quite a few of those ill-managed and debt-loaded. In order to remedy this state of affairs, since 1995, these co-operatives have adopted diversified co-operation forms such as combination of farmers' labour as well as capital, and undergone structural re-arrangement and adjustment fit for Chinese present productivity standard and comply with the system of modern enterprise. The reforms make enterprises more competent in the market and have gained initial achievements. It is clear that this exploration is accelerated and deepened after the fifteenth NCCPC.

Rapid development of foreign business

In the past, the business scope of CSMCs was always confined to the rural circulation and domestic market. Following the open door policy, CSMCs develop rapidly towards foreign-orientation. CSMC's have over 1000 joint ventures and co-operative enterprises, out of which 60 have license to import and export with the relevant volume increased greatly for years running. Their co-operation partners spread all over the world and foreign business become dynamic increasing point of CSMC's economic development.

Seeking for the support from the government

Learning from the past now, CSMCs must co-operate closely with the government to achieve healthy development, which means CSMCs must seek for the government's support and at the same time remain self-reliant. In recent years, Chinese Communist Party and government attach a great importance on CSMC in many respects by giving co-operatives much policy support and improving co-operative administration and HRD.

We are entering a new century. Facing the 21st century, how can co-operatives exist, develop and obtain more achievements? These are challenges for all co-operators. At the intersection of the centuries, competitive environment is more radical and evident than any time in the past. Both economic globalization and regional economic integrity emerged at the second half of 20th century will deeply impact on the whole world structure of next century. Co-operators must think about and develop co-operative movement in this context to make it more attractive and conducive.

The development experience of co-operatives in many countries shows that the co-operative form remains valuable and vital and gives much influence and devotion to the people and the society regardless of the change of era. At the same time, the great changes indeed urge to co-operative movement to develop themselves because they are confronted with not only the opportunities of development, but also the pressure of elimination. The society needs the existence of co-operative movements, because they deliver effective services to society and, that, equally important, they embody the belief and value of human beings and everlasting strength from mutual help. It is in this historical and unstable process that the co-operatives grew up.

Based on this understanding of co-operative history, we should have confidence for our co-operative movement in the coming 21st century.

Economic Liberalisation Vis-a-vis Co-operatives

- A Case Study - IFFCO - India

By Virendra Kumar

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1. Introduction

Agriculture continues to be the mainstay of India's national economy. Its contribution to India's Gross Domestic Product (GDP) is about 28 per cent and almost two-third of the population of India depends on this sector directly or indirectly.

The present population of the country is about 950 million and at the present level of growth rates, it is likely to touch 1000 million mark by the turn of this century. Self-sufficiency in foodgrain production has been the basic objective of India's policy on agriculture. To feed this mammoth population, India has to produce 210 million tonnes of foodgrains by 2000 AD from the level of an estimated 198 million tonnes during 1996-97. With the growing population, the land-man ratio is declining and chances of bringing additional land under cultivation are remote. Therefore, future increase in agricultural production has to come only by way of increasing the productivity of land already under cultivation.

The vital role of fertilisers in increasing agricultural productivity is universally recognised. Presently, the estimated share of fertilisers in increasing foodgrain production is about 55 per cent and it is anticipated to go up to 80 per cent by 2000 AD. The fertiliser consumption in India along with annual growth rate (%) during 1951-52 to 1997-98 (estimated) is given in **Annexure I**. The fertiliser consumption has to increase to a level of about 17 million tonnes of nutrients (N+P+K) from the level of 14.3 million tonnes achieved during 1996-97. This is, no doubt, a stupendous task. In order to achieve this target, the co-operatives in India are forerunner in respect to supplement the efforts of country in accelerating fertiliser production and thereby consumption. The share of co-operatives in total fertiliser consumption is around 31% whereas in production the share of co-operative sector is 20% for nitrogenous fertilisers and 14% for phosphatic fertilisers. The details are given in **Annexure II**. However, the share of co-operatives i.e. IFFCO and KRIBHCO is around 54% within the co-operative sales for the year 1996-97. This share is likely to go up further in the years to come.

2. Organisation - IFFCO

Indian Farmers Fertiliser Co-operative Ltd. (IFFCO) was conceived in November 1967 and is a unique organisation in the sense that its shareholders, i.e. farmers are its owners as well as consumers of its fertiliser products. Prior to formation of IFFCO, co-operatives were only distributing imported and indigenously produced fertilisers. Lack of production sources of their own was proving to be the major constraint in the growth of co-operatives. The Co-operative League of USA, through Co-operative Fertiliser International, suggested to the Government of India for the establishment of fertiliser manufacturing facilities in the co-operative sector. Government of India considered and approved the proposal. These developments gave birth to IFFCO. U.S. Co-operatives, through Co-operative Fertiliser International (CFI) provided a million dollars besides technical know-how. As on 31st March, 1997, there are 33,260 co-operative societies as shareholders of IFFCO spread over 21 states and 2 union territories.

IFFCO is registered as Multi-State Co-operative Society in which only the agricultural societies

from national level to village level are the members. No individual has been taken as member. IFFCO started its seeding programme in the year 1970-71 in the few selected states of the country.

2.1 Share Capital

The authorised share capital of IFFCO is Rs.10,000 million. The paid-up capital as on 31st March 1997 stands at Rs. 3,621 million. Out of the total paid up capital, the Government of India contributed Rs.2,896 million. National Co-operative Development Corporation's (NCDC) contribution is Rs. 51 million and remaining Rs. 674 million is from co-operatives of the country.

2.2 IFFCO Plants

At present, IFFCO has three Ammonia/Urea plants and one NPK/DAP plant. IFFCO production facilities available at three plants namely Kalol in Gujarat (525,000 tonnes), Phulpur I & II in U.P. (1,225,000 tonnes) and Aonla I & II in U.P. (1,452,000 tonnes). The total installed capacity for urea production works out to 3,202 million tonnes of material. It has complex fertiliser production facilities at Kandla in Gujarat. Three different grades are being produced here namely, NPK 10:26:26 (Gr.I), NPK 12:32:16 (Gr.II) and DAP 18@46-0. The total quantity produced at Kandla comes to nearly 1.25 million tonnes of complex fertilisers per annum.

2.3 Investment Outside IFFCO

2.3.1 Equity in Krishak Bharati Co-operative Ltd. (KRIBHCO)

IFFCO has also contributed Rs.970 million to establish another joint co-operative named Krishak Bharati Co-operative Ltd., known as KRIBHCO, which produces 1.5 million tonnes of urea every year in co-operative sector.

2.3.2 Equity in Godavari Fertiliser Plant

IFFCO has contributed Rs.79.7 million (25 per cent equity) in Godavari DAP plant at Kakinada (Andhra Pradesh State Govt. Enterprise) and is entitled to get 25 per cent of its DAP products of 0.3 million tonnes capacity.

2.3.3 Equity Participation in Senegal

Indian consortium consisting of Government of India, IFFCO and SPIC entered into long term agreement with Industries Chiminique Due Senegal (ICS) for supply of phosphoric acid and set up a plant in Senegal. IFFCO has contributed Rs.78 million towards equity capital of ICS to get assured supplies of phosphoric acid. The share capital of IFFCO is likely to be enhanced many fold so that IFFCO has assured supply of the key raw material, i.e. Phosphoric acid.

3. IFFCO products and quantities handled

At present, the total production of urea at all our plants is about 2.8 million tonnes. The total quantity produced at Kandla comes to nearly 1.2 million tonnes of complex fertilisers. In addition, IFFCO also handled about 0.2 million tonnes of imported urea at one or two ports in the country. Recently, IFFCO's Phulpur plant with the capacity of 726,000 tonnes has been commissioned and with this, the total volume handled during 1997-98 will be about 4.1 million tonnes and in 1998-99 it will go up to more than 5.0 million tonnes. The figures for IFFCO production during 1996-97 to 2001-02 are given in *Annexure - III*.

4. Marketing Set-up

The Marketing Division is headed by the Marketing Director. The division has following departments:

- Distribution
- Transportation
- Port Operation
- Marketing Services
- Agricultural Services
- Training
- Publicity
- Marketing Accounts
- Personnel & Administration
- Systems

IFFCO's marketing set-up in the field comprises of 5 Zonal Offices, 17 State Offices and 67 Area Offices. Each area office covers 4-5 districts. In each area about 8-10 Field Officers are working. They are posted at district and taluk level towns. They visit the villages in their area of operation and work with the farmers in transferring modern agricultural technology. The total field force as on date is about 500. The total number of personnel in Marketing Division is around 1800.

4.1 Marketing Channels

It is envisaged in the Bye-laws of IFFCO that all fertilisers marketed by IFFCO will be routed through co-operative system only. However, in exceptional cases, other institutional agencies could also be involved. IFFCO cannot use private trade for marketing its fertilisers.

Initially, IFFCO used to market its entire quantity through the State Co-operative Marketing Federations only, who used to act as the wholesalers for IFFCO. With the passage of time, in some states where the State Co-operative Marketing Federations are not in fertiliser business, for one reason or the other, IFFCO in consultation with the respective State Government is making supplies directly to the village level societies/Taluka level societies who act as retailers and wholesaler/retailer.

4.1.1 Farmers Service Centres (FSC)

To provide all agricultural inputs to the farmers under the same roof, IFFCO has established its own Farmers Service Centres (FSCs). These FSCs sell IFFCO fertilisers directly to the farmers in addition to providing services like supply of agricultural implements on returnable basis and sale of seeds and agro-chemicals on 'no-profit no-loss' basis. The farmers are provided technical guidance also through these Service Centres. The total number of IFFCO FSCs, at present, is 168. Their share in total IFFCO fertilisers sales is 4 per cent. This scheme has been very much appreciated by the farmers. The main features of the IFFCO's Distribution Channels are depicted in **Annexure IV**.

4.2 Promotional & Extension Services

Service to the farmers and strengthening the co-operatives have been the two main planks of IFFCO's philosophy from the day of its inception. In order to achieve this objective, IFFCO undertakes a variety of promotion and extension activities with the objective of educating the farmers on modern farming techniques and promoting balanced, efficient and economic use of fertilisers. These programmes are carried out by IFFCO's qualified field officers numbering about 500, spread all over the length and breadth of the country. Not all programmes are conducted at all places. Package of programmes is location specific need-based.

The major promotional and extension programmes are given below:

1. Two Plot Demonstration
2. Block Sowing Demonstration
3. Large Size Block Demonstration (LSBD)
4. Critical Input Package (CIP) Demonstration
5. Farmers' Meeting
6. Field Day
7. Crop Seminars
8. Agricultural and Social Campaigns
9. Mobile Soil Testing Vans
10. Village Adoption
11. Seed Multiplication Programme

4.2.1 Special Projects

Special projects are formulated to promote fertiliser use and modern agriculture in backward areas. These projects usually cover programmes like Dry Land Agriculture, Soil Reclamation, Tribal Area Development and Lab to Land programmes.

4.2.2 Integrated Plant Nutrient System (IPNS)

Fertiliser is a costly input and, therefore, has to be used judiciously. The essential features of the nutrient management is the economic and efficient utilisation of applied plant nutrients. IFFCO have initiated a programme on "Integrated Plant Nutrient System" (IPNS) as a concept to promote Balanced Fertilisation at the farmers level.

The objectives of IPNS are as given below:

- i) Supplementing nutrients through organic sources.
- ii) Management of nutrient supply based on soil test
- iii) Inclusion of pulses, oilseeds, green manure in cropping sequence and incorporation of crop residues
- iv) Maintain soil fertility and generate additional income through farming systems approach.

Keeping the above objectives in view, field studies on IPNS were initiated on farmer's field in Kharif 1994, IFFCO initiated a TCP Project in collaboration with Food and Agricultural Organisation (FAO) during 1996-97 and shall continue till date. As per the results of the field studies, the crop yield with IPNS practices is about 20 - 35% more as compared to the normal farmers practices and also there is reduction in the application of fertiliser nutrients. IFFCO has already brought an IPNS manual based on IFFCO-IPNS experience for extension workers and others. In November, 1997, FAO IFFCO International Seminar on "IPNS for Sustainable Development" was organised at New Delhi to further promote the concept of IPNS on a large scale. The seminar was attended by 200 delegates representing 10 countries, mainly from Asian and African region.

4.3 Integrated Rural Development around Plants

With an objective of agricultural development around IFFCO's plants, 5 to 7 villages are selected

around plants. In these villages, IFFCO undertakes the field demonstrations and various promotional activities more intensively. Also, community development activities like installations of bio-gas, construction of approach roads, school building, water tank etc. are taken. Presently, IFFCO is spending Rs. 6.0 million in a year on integrated rural development work around the plant.

4.4 Training and Visit Programme

IFFCO initiated Training and Visit (T&V) programme with an objective to impart training to the farmers on various aspects of crop production, animal husbandry, pisciculture etc. In this programme practising farmers, in the group of 40, from the state are taken to the nearby Agricultural University and Research Institute for a period of 5 days. Field visits are also organised for the benefits of the farmers. IFFCO conducts nearly 30 programmes in a year.

4.5 IFFCO Community Centre

IFFCO has also decided to construct additional 50 storage-cum-community centres for the benefit of the farming community covering all the states under its marketing territory. The estimated expenditure for establishing each storage-cum-community centre is about Rs.0.3 million.

4.6 IFFCO Professor's Chair

In order to maintain linkages with the key national agricultural universities, IFFCO has established 15 chairs - one each in 13 agricultural universities and one in Vaikunth Mehta National Institute of Co-operative Management, Pune and one in Banaras Hindu University, Varanasi.

5. Indian Farm Forestry Development Co-operative (IFFDC)

IFFCO launched a farm forestry pilot project in 1987 in U.P., Rajasthan and M.P. as a part of its broad-based efforts to convert wasteland into profitable forestry, maintain ecological balance and provide gainful employment to the rural masses. Under the Pilot Project 32 Primary Farm Forestry Co-operatives were set up. An area of 4600 ha. has been planted in these states. The tree species planted include timber, fuel, fodder and fruits in a suitable mix to meet the basic needs of members. Up to 31st March, 1997, IFFCO has spent Rs. 62 million on the Pilot Project comprising of Rs. 18 million from internal resources and balance from grants-in-aid of Central/State Government Agencies.

To boost afforestation activities, a separate co-operative society in the name of Indian Farm Forestry Development Co-operative Limited (IFFDC) has been registered on 22nd October 1993. During 1995-96, IFFDC has started a project in collaboration with Canadian International Development Agency (CIDA) through India Canada Environment Facility (ICEF). The total cost of the project is Rs.350 million, covering a span of 5 years (1995-96 to 1999-2000). The 90 per cent cost of the project (Rs. 315 million) will be by ICEF as grant-in-aid and the balance by IFFCO (Rs. 35 million). This project envisages formation of 90 new primary farm forestry co-operative societies in the states of U.P., M.P., and Rajasthan. The total wasteland area covered under the project will be about 20,000 hectares. As on January, 1998, all the targeted number of Primary Farm Forestry Co-operative Societies have been formed and 12,000 ha. of plantation have been completed.

6. HRD Activities

IFFCO has established two training institutions for training its own staff, co-operative personnel as well as the farmers. Fertiliser Marketing Development Institute (FMDI) Gurgaon is meant for training IFFCO's own staff and co-operative personnel. The Motilal Nehru Farmers Training Institute, Phulpur, established under Co-operative Rural Development Trust (CORDET), promoted by IFFCO, has been

providing practical training to the farmers to improve their skills in agricultural production, dairy, horticulture, poultry, fisheries and developing professional leadership at the village level. The Trust has two establishments; one at Phulpur in Uttar Pradesh and the other at Kalol in Gujarat. In addition to imparting training, CORDET also produced and supplied quality crop seeds to farmers. CORDET also renders services to the farmers by testing soil samples. CORDET, Phulpur also produced bio-fertilisers and the same is provided to the farmers through our Farmers' Service Centers.

7. Policy of Economic Liberalisation and its Impact Fertiliser Industry

Following the pursuit of economic liberalisation, the process of economic reforms in India started in 1991. In view of the mounting fertiliser subsidies, Government of India (GOI) constituted a Joint Parliament Committee (JPC) under the chairmanship of Shri Prataprao B. Bhosale on 10th December, 1991. The committee submitted its report in August 1992. Based on the JPC recommendations, the GOI announced decontrol of phosphatic and potassic fertilisers w.e.f. 25th August, 1992 and subsequently decanalised import of DAP at zero duty effective from 17th September, 1992. Consequent upon the decontrol and decanalisation of phosphatic and potassic fertilisers, the prices of these fertilisers went up substantially.

The immediate impact was the decline in consumption of phosphatic and potassic fertilisers by 22 and 55 per cent in Rabi 1992-93 as compared to Rabi 1991-92. This happened inspite of adhoc subsidy of Rs.1000/- per tonne on DAP and MOP each besides subsidy on other complexes depending upon the nutrient contents effective from 7th October, 1992. The GOI is still giving adhoc subsidy on these fertilisers through manufacturers. The subsidy on these fertilisers is still continuing to arrest the declining trend in the consumption of these fertilisers. However, the level of subsidy has been changing over a period of time. The amount of subsidy on indigenous DAP was increased to Rs.3,750/- from Rs.1,000/- per tonne and on MOP from Rs.1,000/- to Rs.2,000/- per tonne. On other indigenous complex fertilisers, the subsidy was increased depending upon the nutrient contents. The subsidy on imported DAP has also been enhanced to Rs.2,250/- per tonne. The current level of subsidy w.e.f. Rabi 1997-98 is Rs.3,500/- per tonne on indigenous DAP and Rs.2,000/- per tonne on imported DAP.

The above measures did help in increasing consumption of phosphatic and potassic fertilisers and it is anticipated that the increase during 1997-98 may be to the tune of 21 and 15 per cent for P & K, respectively over 1996-97 levels. The 'N' consumption, however, witnessed increase over the year inspite of increase in prices by 20 per cent in June 1994 and by 10 per cent again on February 21, 1997.

Urea continues to be controlled and under Retention Pricing Scheme (RPS) of the Government of India, the subsidy level on urea has again been increasing over the years. Under RPS, the manufacturers are allowed a fair price based on prescribed efficiency norms. The excess of RP over the market realisation from the sale of urea at controlled price is reimbursed as subsidy.

8. Conclusion

The fertiliser co-operative sector, has not been affected due to current economic reforms. This has been made possible due to efficient operation of the plants in the co-operative sector as well as its marketing strategy. The co-operative sector is quite competitive and is in a position to take challenges arising out of economic reforms.

The IFFCO's experience thus has clearly demonstrated that a co-operative society can succeed even in high investment and high technology areas like fertiliser production. The institution has been able to sustain and make growth better not only compared to public sector but also the private sector. The institution has also adhered to the Principles of Co-operation, both in theory and practice. The entire production is marketed through the co-operative system. The large-scale expansion and promotional activities and

various programmes for the development of co-operative system at the grassroot level has established a very positive bond between IFFCO and its members who live in rural India. The confidence generated by this success has paved the way for a vigorous growth programme and thus the institution has the credit of making large scale expansion of its three plants in a single year, i.e. December 1996 to December 1997 with an investment of US\$ 656 million.

The top management is quite confident that the society established in 1967 will emerge as a global leader in production and marketing of chemical fertiliser located in a single country. The society is committed to serve the rural populace in nooks and corners of the vast country and also planning its activities outside the boundary of India.

The basic philosophy of co-operation, particularly the principles of democratic member control and concern for community, has been the soul of decision making in IFFCO. We have followed and translated the Principles of Co-operation into practice and IFFCO has grown because of its commitment to these principles. IFFCO has gained enough experience and expertise to develop a large scale economic co-operative venture with a dedicated work of over 25 years and this experience is ready for being replicated in any part of the world and more particularly in Asian and African regions.

Annexure I

**Fertiliser Consumption in India
(1951-52 to 1996-97)**

Year	Consumption ('000) tonnes				Annual Growth Rate (%)			
	N	P205	K20	Total	N	P205	K20	Total
1951-52	58.7	6.9	-	65.6	-	-	-	-
1961-62	249.8	60.5	28.0	338.3	15.6	24.3	-	17.8
1971-72	1798.0	558.2	300.6	2656.8	21.8	24.9	26.5	22.9
1981-82	4068.7	1322.3	676.2	6067.2	8.5	9.0	8.5	8.6
1991-92	8046.3	3321.2	1360.6	12728.1	7.1	9.7	7.3	7.7
1992-93	8426.8	2843.8	883.9	12154.5	4.7	-14.4	-35.0	-4.5
1993-94	8788.3	2669.3	908.7	12366.3	4.3	-6.1	2.8	1.7
1994-95	9507.1	2931.5	1124.8	13563.6	8.2	9.8	23.8	9.7
1995-96	9822.8	2897.5	1155.8	13876.2	3.3	-1.2	2.8	2.3
1996-97 (P)	95.07.1	2931.7	11029.6	14308.1	4.9	2.7	10.9	3.1
1997-98 (E)	9822.8	2897.5	1184.0	15804.0	7.0	20.9	15.0	10.5

(P): Provisional

(E): Estimated

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

(000 Tonnes)

Item	1995		1996-97	
	N	P205	N	P205
ALL INDIA	8769	2593	8593	2571
IFFCO	1012	361	1019	352
KRIBHCO	792		709	
TOTAL COOP	1084	361	1728	352
SHARE (%)				
IFFCO	11.5	13.9	11.9	13.7
	(9.5)	(10.8)	(12.7)	(10.5)
TOTAL COOP	20.6	13.9	20.1	13.7
	(16.8)	(10.8)	(19.7)	10.5

() Figures in bracket indicate percentage share in total capacity.

The Impact of Monetary and Economic Crisis on Co-operative Development in Indonesia

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Like a domino game, Indonesia together with the Philippines, Malaysia and South Korea are dragged along by the monetary crisis afflicting Thailand in July 1997. The process is running rapidly and successively. For Indonesia, in particular, the monetary crisis has developed into an economic crisis and crisis of credibility toward the Government, which up to now is still unpredictable on how it is going to end up later. In comparison with countries experiencing a similar crisis, the Indonesian condition is the worst so that many circles are not sure whether the corrective measures as indicated by IMF will be able to remedy the present condition in Indonesia. Their reason is that IMF's corrective measures are purely of economic and monetary character, while the disease is a complication and made even worse by a credibility crisis which is psychological, social and political in nature.

The social and political issues arising today actually have their source from long ago, which began to surface before the General Election in 1997. This continued to develop to date and was aggravated further by the monetary crisis at that time. To get a picture of the rapid process of the crisis, the increase of the rupiah exchange rate toward the US dollar is given as follows: In July 1997 the Rupiah exchange rate was Rp.2,400 per US dollar and on 22 January 1998 it was Rp.14,500 per US dollar. The Government itself, which from the beginning has endeavoured to withstand the fall of the rupiah, seems to be incapacitated and has left the fluctuation of the rupiah fully to market forces. The problem is getting worse because the fall of the rupiah is accompanied by considerable rising prices of essential consumer goods such as rice, sugar, cooking oil and milk. Inflation for January 1998 is almost 7%.

Rumours about the short supply of consumer goods have prompted a rush to buy these goods which are available on the market, so that the Government (Bulog) is forced to conduct market operations to lower prices. But this operation is of no avail except more and more people with low income are lining up and vying to buy goods which are cheaper than those on the market. The situation is getting serious that riots broke out in several cities because of the rising prices.

Why is it that the Indonesian economy is so vulnerable to these crises, while it has always been said by the Government that the Indonesian economic fundamentals are strong and which has also been praised by the international institutions like the IMF and the World Bank? It seems that the Government and the business world are caught by the perception of the successes of development and have become overconfident and less alert toward the weaknesses of the existing economic system. It turns out that the average high growth rate of 7% per annum over these years is supported excessively by investment and capital derived from Government and private foreign loans, which in total are estimated at US\$140 billion.

Private foreign loans, estimated at US\$ 65 billion to US\$ 80 billion, are considered to be the main cause of the monetary crisis because these are generally short-term credits but used to finance long-term projects. The major amount is without hedging and another portion is in the form of commercial paper which is less secure. It is estimated that about US\$ 12 billion is due for payment by the end of 1997 and US\$ 20 billion in the first months of 1998. International speculators seem to be aware of this situation and they are quick to take benefit by purchasing US dollars on the market. This has brought about a panic and

a rush for dollars by debtors, which is followed by people who fear that the value of their rupiah will fall.

Industries producing goods with a large import component will automatically be unable to bear the rising cost burden. Some of them will be forced to close down their business and lay off their employees or reduce business and cut short the number of employees. The said products will automatically become more expensive, thereby pushing inflation upward.

The situation has been made more serious by the prolonged drought, forest fires, enforcement of minimum wage and increasing unemployment, because Indonesian workers in Malaysia and South Korea were repatriated as a result of a similar crisis there. With the forthcoming session of the People's Consultative Assembly in March 1998 to elect the President and Vice President, the crisis is not free from political nuances. A sentiment which is developing in the society has judged that this crisis is caused by a group of private entrepreneurs (conglomerates) having a special position and a very big role such as monopoly, oligopoly and cartel, acquired through collusion, corruption and nepotism with the bureaucracy. During the time of glory they are the creators of economic and political disharmony. But by the time they are thrown down by their own actions, it is the people as a whole who have to bear the consequences and burden. It is therefore understandable that the appeal to accept the crisis as a national problem and to bear the common burden based on solidarity is poorly responded to.

As the government is unable to control the monetary crisis, it has approached the International Monetary Fund for assistance. The response of IMF is positive and they have pledged to assist with funds amounting to US\$ 43 billion on the condition that the government is willing to carry out an economic reform. The first step taken by the Government is repealing the operating license of 16 insolvent banks, an action which has been recommended by Indonesian experts for quite some time. However, this action has upset many depositors at the banks because the refund of their deposits is limited to Rp. 20 million only. Many people have felt that they are made poor and victims of a mishap which is not caused by them. A panic has arisen and a feeling of dissatisfaction has developed into a sense of non-confidence in the Government. The absence of transparent and clear government policy and the rising sense of non-confidence have made the crisis into a political issue claiming for political reform at the same time. The process which is full of uncertainties has continued until the start of 1998 when the uncertain situation was intensified by the draft state budget for 1998/1999 which did not reflect fully the government's commitment to the IMF requirements. As a result IMF, supported by the USA, Germany, Japan, Australia, and Singapore, has urged the government to really observe the requirements of IMF consisting of 50 items as follows: economic growth rate at 0%, inflation of about 20%, rupiah exchange rate toward the US\$ 1 is to Rp.5,000, a budget deficit of 1%, abolishment of monopoly in the real sector, opening the door more widely to foreign investment, abolishment of subsidy on oil, fuel, and so on. The situation which is really serious has made the government to accept the aforesaid requirements, because there is no other choice. Even though the agreed arrangements are able to create an easy feeling, the response of the market is not as expected, and the rupiah continues to weaken to reach a very low point which is beyond prior imagination. There is a clear sign of a gloomy recession, high inflation, increasing unemployment, tight credit with high interest and so forth, which may be followed by social unrest and political tension.

What about the impact of these crises on co-operative development? The dimension and extent of monetary and economic crisis has brought about many difficulties to the people, especially those with middle and lower income. As the people with middle and lower income are the basis of co-operative membership, the co-operatives - whether they like it or not - have to bear also the burden and consequences of the crisis. Even though the IMF recipe for reformation may in the long run be able to create a proper market economy, many people are doubtful about its effectivity in the short (medium) run, as the implementation of reformation at its early stage has just brought about misery to a large number of people.

The Economist magazine is wondering whether the IMF remedy is “to kill or to care”, and the most likely answer is “to kill”.

In a situation which is obscure and uncertain - due to the unclear settlement of short-term private foreign debt- it is difficult for the business sector to draw up a plan for the coming period, mainly for business enterprises and co-operatives which before the crisis used to live on government facilities and protection. There are several types of co-operatives directly affected by this arrangement for reformation. For instance, the KUD (Village Unit Co-operative) trading procedure for cloves has changed as the agency acquiring monopoly is disbanded and the monopoly abolished, the trading procedure for sugar cane is abolished, the restriction on import of dairy products by dairy industries is abolished; the allocation of soy bean from Bulog is stopped as a result of the abolishing of Bulog (a body in charge of logistics) monopoly and thereby affecting the production of soy bean (tofu) and soy bean cake (tempe) by co-operatives. Co-operatives which used to work with facilities from outside and are unable to develop their own capabilities will certainly run into trouble as they are not prepared to operate and compete on the free market.

With the lay-off of employees at business enterprises which are closed down, bankrupt, reducing business activity, it is estimated that many co-operatives of workers at those enterprises will be disbanded. It is for sure that in the coming short period many co-operatives will experience a stagnation, except those which have been operating thus far on their own strength such as credit co-operatives, co-operatives run by women, co-operatives in traditional markets, co-operatives able to develop their own strength and those living on facilities but unaffected by the arrangement for reformation (Bulog monopoly for the distribution of rice remains intact).

Even though the crisis has created complicated problems, it is like a coin with two sides, which may bring about a positive change, especially to co-operatives. Like in 1966, during the transitional period from the old order to the new order a similar situation had made a selection toward the existing co-operatives at that time. Of the total number of 64,000 co-operatives, only about 13,000 had survived.

Today it is reported that the number of co-operatives is about 50,000 and if one fourth of this number could survive from the current crisis, this is very good. What measures are necessary to salvage surviving co-operatives? By definition, a co-operative is a voluntary and autonomous association and measures for salvation should therefore be taken by the respective co-operatives themselves. In the present situation, advocacy and motivation are essential to maintain the enthusiasm of co-operatives. Actually, what co-operatives need as a movement to overcome together the present hardship is a strong and effective leadership. But all this time, there have been a crisis of leadership and crisis of credibility in the co-operative movement, and because of the absence of a reliable leadership within the co-operative sector, the problem has to be solved by the respective co-operatives. Initial steps have now been taken in Indonesia to set up a foundation for the purpose of strengthening the right perception about co-operatives. This foundation [Institution for Co-operative Development Studies (LSP21)] is expected to be able to make a positive contribution in the saving of co-operatives and which is to be followed by rehabilitation, consolidation and development.

Rehabilitation is necessary to uphold the Co-operative Identity (ICIS) and to strengthen the basis for mental resilience which has already helped in salvaging many co-operatives from the present economic crisis. Co-operative Identity is a denominator of the third sector or co-operative sector, which makes co-operatives explicitly different from other forms of business. Co-operativism has been offered as a middle way between the capitalist and communist system and with the collapse of the communist system, co-operativism may be offered as an alternative to those who don't agree with the capitalist system which is creating an economic and social gap and often brings with it a crisis. On the contrary, the concept of co-operative development is to create economic growth and also even distribution of the result of develop-

ment as a complementary part of the growth itself. The term even distribution through growth is probably more relevant than growth and even distribution.

As a value-based economy, co-operativism is a practical and workable concept in the daily life of the society and not something which is merely a theory or a philosophical perception. In practice, a co-operative is an economic entity which has a twin character, as an association and as an enterprise. With its values and principles, co-operatives has been in operation for a century and a half and in reality is developing throughout the world. It is therefore not relevant to fear that co-operativism may become utopian and even considered dangerous, because over these years there is no such thing happening anywhere.

Co-operatives are growing and developing in every corner of the world in different political, social, cultural and economic environments and with different strengths because co-operatives are products of the society. So, it is understandable that co-operatives in advanced (rich) countries are different from those in developing (poor) countries. The condition of the co-operative sector in each country is different and so is the co-operative paradigm. Globally, we have a co-operative sector with Co-operative Identity as its denominator. But the co-operative paradigm may vary according to the condition and environment of each country.

Co-operative paradigm is created on the basis of our perception about co-operative identity. In view of this, the quest for a workable co-operative paradigm is basically the responsibility and duty of the national/local co-operative but supported by the solidarity and co-operation of the global co-operative sector.

The economic crisis in Indonesia has given a very valuable lesson which may be able to help in the search for a workable co-operative paradigm, at least for Indonesia.

Development, which is focused on a group of big entrepreneurs and relying on foreign capital does not automatically create strong fundamentals. At the time of a crisis misery is brought mainly to people whose economy is weak. It appears that the policies adopted to overcome the crisis are directed to salvage the big class rather than to touch the interest of the vast number of little people.

Development which does not empower the people will not have a firm basis domestically and cannot serve either as a countervailing power toward outside capital. Consequently internal power is weak and unable to ward off any crisis which may arise.

Here co-operatives are to play an important role and to develop its paradigm, namely developing people's potential, strengthening their economic position and to making them a strong basis for development.

In reality the co-operative sector at national, regional and global levels have not been consolidated still, not only because of the weakness of individual co-operatives in some (developing) countries but also because the network of solidarity at national, regional and global levels ate still not functional. In view of the above, it is necessary in the frame of ICA Development Strategy to give thought to the consolidation of the co-operative sector at regional and global level in order to support the development of the national co-operative sector. A "dream" which has emerged as a product of the co-operative paradigm is that ICA will become some kind of UNO (for the global co-operative sector) with effective operational institution like UNDP and whose main task is to help co-operatives to develop further. To make this "dream" a reality, perhaps strong co-operatives are willing to make the first move by providing the necessary funds.

SANASA

Facing the Challenges of a Changing Society

By P.A. Kiriwandeniya

Chairman, Federation of Thrift and Credit Co-operative Societies, Sri Lanka

1. SANASA - Introduction

SANASA is a co-operative movement with an extensive coverage of the adult population of Sri Lanka. The movement began in 1904. The first society was formed in 1906 and the first registration of society goes back to 1911. With gradual development, the total number of societies reached in 1998. Due to a nationwide revival after 1997, the number of societies increased to 8340 in 1996 (Table 1).

Table 1: Growth of SANASA after 1978

	1978	1996
No. of Societies	1,298	8,340
No. of members	209,416	768,061
Savings (Rs. Million)	42.03	2,421.98
Credit (Rs. Millions)	88.69	1,913.3
No. of youth (Age 18-35)	NA	270,473
No. of female members	NA	405,068
Assets (Rs. Millions)	7	228

Rs. 1= US\$ 60

In 1996, the SANASA coverage stood at 16 per cent of the total population. Youth and women's participation is significant (Table 1). Here, it may also be noted that the spread covers all geographical areas without any ethnic, social, economic and religious barriers. SANASA has both rural and urban participation.

SANASA promotes thrift as an aspect of character development. Lessons are drawn from culture and tradition in promoting thrift. Facilities are provided for savings at the doorstep of the members. The total contribution to savings and credit in the rural sector by SANASA is significant (Table 2). It should be noted that SANASA credit is given without the usual state support which enables state banks to write off their credit to the rural sector without any cost to the bank. SANASA mobilizes the rural population in the national development effort by a systematic, extensive programme of human resource development. Education and skill development combined with entrepreneurial training are given special attention. SANASA is a focal point of community development. In developing common amenities neglected by the state, SANASA has played an important part. The SANASA statistical report for 1996 indicates that among other services, there were 557 pre-schools, 2332 welfare services, 1979 children's societies, 24 transport services, and 124 green (children) societies.

Table 2 : Deposits & Credit - Rural Sector 1995-1996 (Rs. Millions)

	Co-operative Rural Bank		Bank of Ceylon Branches at Agricultural Productivity Centres		Regional Development Banks		SANASA Societies	
	1995	1996	1995	1996	1995	1996	1995	1996
1. Total Savings	7,173	7,927	471	234	615	2,035	2,037	2,422
1.1 Savings	NR	NR	NR	194	438	1,596	1,048	1,164
1.2 Special Savings	NR	NR	NR	5	55	22	811	987
1.3 Fixed Deposits	NR	NR	NR	35	122	417	178	271
2. Total Credit	805	1,066	246	101	364	2,294	1,677	1,913
2.1 Agriculture	106	94	163	45	92	267	208	432
2.2 Animal Husbandry	28	34	2	1	6	24	43	63
2.3 Fisheries	-	-	-	-	1	25	-	-
2.4 Small Industries	40	42	2	6	27	201	126	164
2.5 Housing, Electricity & Water Supply	385	584	12	9	31	-	156	300
2.6 Projects (Commercial)	104	158	84	24	60	1,064	732	146
2.7 Others	141	154	43	16	147	714	412	809

Rs. 1=US\$ 60

Table 2 invites few more comments. The second, third, and fourth columns give information about state sponsored banks. Being state sponsored banks they have better recognition. This accounts for higher levels for savings by the co-operative Rural Bank. However, SANASA plays a different role by plowing the rural savings into the rural sector itself whereas the other banks removes rural savings for investment in the urban sector. Erosion of rural wealth for the benefit of the urban sector is checked by SANASA. At the same time the problems posed by better recognition of state banks has been addressed by the establishment of a Development Bank by SANASA. This bank is controlled by government regulatory provisions applicable to all private banks and is therefore in a position to compete with them on an equal basis (see 2.1a below). Results of better recognition is demonstrated by the fact that Rs. 315 million has been collected as deposits by this bank out of which 75 per cent are by non-members of SANASA.

The SANASA structure is a strong edifice of three tiers comprising primary societies, secondary unions (34 in number), and a national federation at the apex. The main source of SANASA strength is the primary society. It is a democratic institution with 100 per cent direct member participation in decision making. The higher level institutions have no right to interfere with their decision except through persuasion. The main focus of the movement is the development of the primary society.

2. Adjustment to Changing Needs

The SANASA capacity to adapt to the emerging socio-economic forces is well illustrated by the phenomenal changes which took place in 1978 statistically exemplified in Table 1. It was a response to the change in government policy in 1977 to a free market economy. Primary societies scattered in the country were united into a three-tier system with an apex organization that could wield the strength of a unified movement. Savings were pooled where necessary. Education, training and extension were directed with great enthusiasm and vigour. One may refer to table 1 again for a rapid appraisal of the results.

The challenge of the 21st century is close at hand. In keeping the democratic traditions of SANASA a workshop was held with the participation of the regional leadership to ascertain the changing needs up to the year 2005. The needs to adjustment were discussed. A brief presentation of the present trends are given below under the following heads:

- a) Open Market Economy Extending to Regional and Global Markets,
- b) Information-based Development,
- c) Human Resource Development,
- d) Strengthening of the Civil Society.

2.1 *Open Market Economy*

Further strengthening of the SANASA to meet with the challenges of the expanding open market forces has several facets. Among these are:

- a) **Financial strengthening:** The financial strength of the majority as against monopolistic developments has to be met by facilitating access to capital. Further development of the SANASA Development Bank is envisaged. Branches will be established in all major cities.
- b) **Risk Management:** SANASA has now stepped into insurance. The all Lanka Mutual Assurance Organization (ALMAO) established by SANASA is now providing insurance cover to all forms of risk associated with lending by our banks. With banking and insurance developed to sophisticated levels that can be equal to those already serving the capital market, the SANASA membership can look forward to borrowing and investment in an atmosphere more sympathetic to their needs.
- c) **Producer Consumer Linkage:** Over the years, SANASA credit has been directly linked to production (Table 2). SANASA target is not only production but producer consumer linkage. This will be achieved by a networking of our existing widespread organizations. The widespread presence of SANASA is harnessed for this purpose. Arrangements are being made to establish two district level centres for pooling of production units at local level and their work will be coordinated by a centre in Colombo which will arrange for delivery of produce to the consumers. Consumers not only in Colombo but other countries have been targeted.

2.2 *Information Based Development*

Combined with improved in production and marketing, the communication base is being strengthened. Each SANASA primary society will eventually house a Rural Agency Post Office with telephone and fax machines. Many secondary unions already have computer facilities. Being conscious of the needs of the information age, SANASA will be equipped to face the challenges of information based development.

2.3 Human Resource Development

The capacity of the voluntary and professional has to be developed to meet the current demands. The SANASA Educational Campus has plans to meet this requirement. Knowledge on banking is already imparted by a systematic training programme. Other courses planned are for insurance, marketing, information and communication, and entrepreneurial training directed specially at women. Foreign participation in our programmes at the educational campus both as resource persons and trainees is envisaged.

2.4 Strengthening of Civil Society and Good Governance

SANASA is a Practicing, Promoting, and Protecting democracy as matter of primary concern. Direct democracy practiced at primary society level is nearly a 100 year old tradition in the SANASA movement. Democracy is central to SANASA philosophy. Monthly meetings of the primary societies, bi-monthly meetings of the secondary unions, quarterly meetings of the federation, and a national assembly once in three years in a regular feature of SANASA.

3. Partner in Progress

SANASA has withstood the changing social forces over a period of 100 years. Its resilience has been remarkable. Change and adaptation has been a noteworthy character of SANASA.

As an institution based on co-operative principles and values and a deep rooted social commitment, SANASA is poised to play a leading role in national development in Sri Lanka.

Meeting the Challenge of Globalization and Free Trade

Co-operative Union of the Philippines (CUP)

Introduction

The Philippines is beginning to feel the increasing pressure to survive under the paralyzing effects of globalization and import liberalization exacerbated by the devaluation of the Philippines Peso and the Asian economic crisis.

Our sugar industry, which formerly was the most stable dollar-earner, has suffered the first onslaught of import liberalization. The Philippine government has to allocate P30 billion to compensate for the losses of sugarcane farmers due to the drastic drop in domestic sugar prices. The high costs of imported production inputs have forced Philippine industries to either cut down production or close down operations.

Philippine agriculture and certainly over 27,000 agri-based co-operatives, will take the greatest beating in this escalating economic crisis. The rising cost of money and scarcity of cheap rural credit may eradicate the gains achieved by the present administration in turning the Philippines from the "sick man of Asia" to an emerging "tiger economy".

Already, farmers are forced to reduce production in certain commodities to save on losses if and when dumping of cheap imported products occur in the immediate future. The prolonged drought (El Nino) has also caused very significant damage to crops.

The Co-operative Union of the Philippines is in the forefront of advocating safety nets to cushion the impact of import liberalization and lack of competitiveness of local producers. It advocates the retention of tariffs on commodities that threaten local producers.

The government is responding to the challenge by introducing an Agriculture Modernization programme and allocated P120 billion for this purpose over a period of 5 years. A competitive enhancement fund has been established to help agricultural co-operatives and farmers group. Counterpart funds are made available to Agri-Coops and industry associations to enable them to produce globally competitive products.

CUP concentrates on the industry or resources-based approach in promoting agri-coop enterprises. It introduces state-of-the art technologies of production, processing and marketing to mass-coop based agro-industrial projects.

To emancipate our farmers from their bondage to expensive and environment-unfriendly chemical fertilizers, a programme has been launched to establish fortified NPK organic fertilizer plants in the major agricultural regions. The goal is to achieve self-sufficiency and affordability of basic farm inputs to ensure productivity and profitability of our farmers. Two plants with capacities of 2,000 - 2,500 bags per day are now operating and will be serving two major agricultural regions. Twenty plants are earmarked in 20 major agricultural provinces.

Strategic Plan and Objectives

The following are being pursued to meet the challenges of globalization and import liberalization:

1. Elevate the levels of income of individual Co-operative members by supporting value-added processing and manufacturing endeavours of Co-operatives;

2. Create jobs in the countryside by establishing co-operative enterprise that utilize raw materials produced by farmers and fisherfolks to ensure maximum benefits to our small producers.
3. Develop a globally-oriented and competitive marketing network for Co-op products and services;
4. Liberalize credit to co-operatives and their members by strengthening the co-operative banks and credit co-operatives and eliminating the many tiers of lending conduits.
5. Modernize agriculture by tapping the co-operatives as channels for technology application and agricultural infrastructure development;
6. Encourage the establishment of workers and employees co-operatives as means of minimizing, if not totally eradicating, industrial unrest and other labour problems; and
7. Strengthen the Co-operative Union and Federation systems to make them more responsive to the needs and requirements of the co-operatives and their members.

Attached is the Game Plan for the Development of Agricultural Co-operatives.

GAME PLAN FOR THE STRENGTHENING OF AGRICULTURAL CO-OPERATIVES IN THE PHILIPPINES

Introduction

Around 75% of existing co-operatives in the Philippines are either purely agricultural or agri-based multi-purpose co-operatives. The members of agri-based co-operatives are traditionally regarded as mere producers of food and cheap raw materials for the manufacturing sector.

The business of agri-coops are traditionally on unprocessed agricultural products and selling of production inputs (made available by traders) to farmers. They also serve as conduits for loans from lending institutions (GFIs) and merely assembles of products for traders and middlemen.

Most of them are not operating viably and are made answerable to loans obtained by their members from GFIs. In short, agri-coops are simply conduits for government loans and sometimes handouts from government, private foundations, and NGOs.

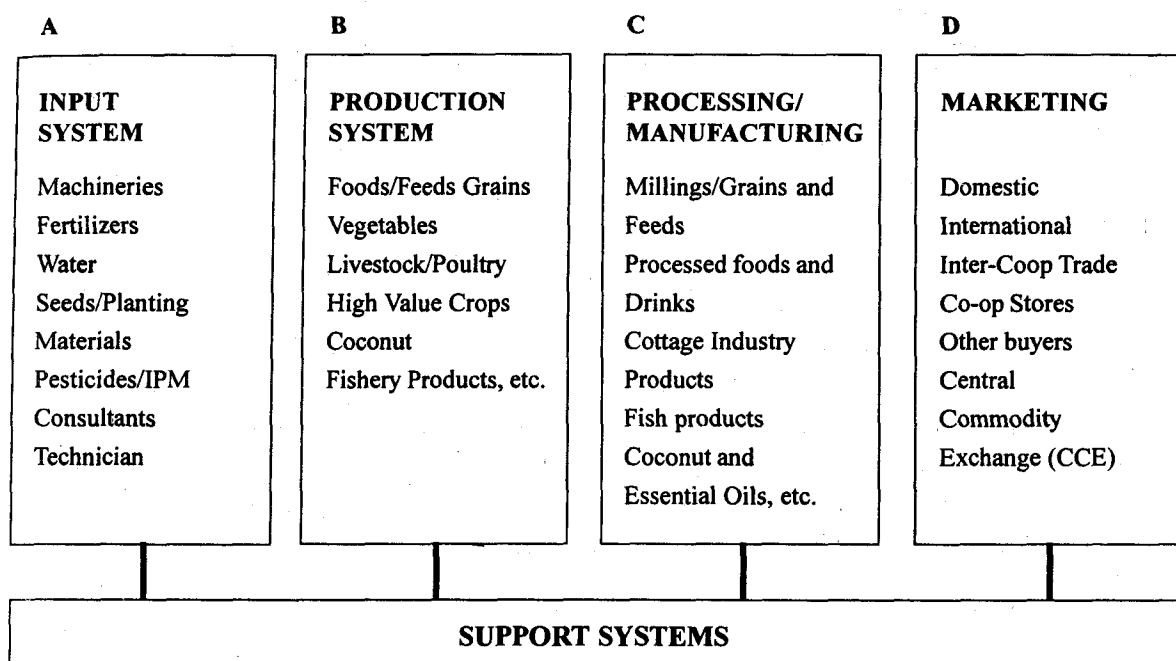
The advent of free market economy and trade liberalization policies of government (in compliance with WTO and regional bloc agreement) require a transformation from subsistence-oriented farming to a market-oriented and globally competitive posture in agriculture. Agri-coops will find it more and more difficult to remain relevant and responsive to the needs of its members if it remains traditional and uncompetitive.

The Co-op Agri-business System

Generally, agri-business is a complete process of producing a crop, processing, and marketing agricultural products. It is normally characterized by the use of appropriate technologies of production, processing and manufacturing as well as competitive management systems and networking.

The co-operative sector, with its 45,000 registered co-operatives, has tremendous domestic market potentials (more than 5 million individual members and dependents) within its fold that can serve as built-in and captive markets for co-ops products. The Co-operative Union of the Philippines can link local co-operatives with the vast network of co-operative businesses locally and abroad.

Figure 1 : The Co-op Agri-business System



CO-OP UNIONS
CO-OP FEDERATION
ICA/IDACA
ZENGYOREN
JA-ZENCHU

CO-OP BANKS
GFIs
FOREIGN BANKS/
FOUNDATIONS
CREDIT CO-OPS

GOVERNMENT
(CDA,DA,DAR)
DOST/DTI
TLRC, LIVECOR)

CONSUMERS
MARKETING CO-OPS
FOREIGN CO-OPS
ORGANIZATIONS
CO-OP
WORLDTRADE
CENTER

The Co-op's agri-business system must strive to be self-sufficient in the inputs of production by identifying within the sector the co-operatives that can specialise in the production and processing of production inputs. With proper networking, raw materials can easily be provided to the Co-ops doing processing and manufacturing functions.

Co-operatives must be designated to undertake specific business functions in the supply of production inputs as fertilizers, seeds and other planting materials. Culture of beneficial insects and other IPM requirements can likewise be assigned to specific co-operatives with the expertise and capability to undertake such functions.

Co-op nurseries for the production of seedlings can also be assisted to support the Co-op producers. Raw materials producers for the processing and manufacturing co-operatives should be allotted production quotas to sustain the co-op processing and manufacturing plants pre-determined prices and schedules of delivery or long-term contract arrangements.

Implementing Strategies

Co-operatives in developed countries has a long history of sustained growth and viability in agri-business ventures. In the Philippines, however, the agricultural co-operatives lag behind their private agri-business counterparts.

Agricultural co-operative federations are mostly too small (even smaller than many of its member-co-operatives) because the assets of the member-organizations are not consolidated into their federation and do not function as branches of their secondary co-op federation. In fact in many areas, the primaries and the federation are doing the same business in the same area not as partners but even as competitors.

The practice of letting co-operatives buy the produce of their member instead of serving as mere processor or assembler of products of member-co-operators has made it doubly difficult for co-operatives to operate viable with a small capital. A marketing co-operatives does not buy the produce of members and looks for advantageous market for a service fee.

There is a need to re-orient the marketing functions of our co-operatives to reduce capital requirements, overhead costs and cost of money. The CDA, CUP and the rest of the national co-op organization must join hands in this re-orientation process.

The following implementing strategies may be employed:

A. Development of Agri-business Management Expertise

Our agricultural co-operatives lack the managerial and financial expertise to direct and manage business operations. They do not have the financial resources to hire professional and competent technical people to run their business viably.

The logic is to develop models for co-op agri-business ventures from where the other agri-coops can learn and train their managers and technical people hands-on. These co-op models must be properly supported by government and the Co-op Movement both financially and in acquiring advanced training for their leaders and managers. In return, these trained and experienced leaders can serve as trainers and consultants for newly established co-op agri-business ventures. This approach can be effectively pursued by linking with local and foreign co-op organizations and agencies engaged in strengthening agri-coop management. CUP, for its part, has established linkages with ICA members countries and organizations in training agri-coop leaders and managers. Two national workshops will be conducted with foreign assistance in the immediate future for this purpose.

B. Livelihood and Entrepreneurship Training

The CUP-ILO CERD programme for Entrepreneurship and rural development has been expanded from its humble beginnings in 1992 to a nationwide programme known as Co-operative Business Consultancy programme (CBCP). Under this programme, CUP continues to build-up its consultancy pool by inviting consultants of various disciplines and expertise. These consultants are fielded to assist beneficiary co-operatives in project development, feasibility study preparation and in training understudy managers for fairly big agri-business venture. The consultants are engaged until the normal viable operating level is attained by the beneficiary co-op and understudy managers fully trained.

C. Technology Transfer

There is a felt need to introduce to our agri-coops the appropriate and adaptive technologies of production, processing, marketing, and to make capable of producing manager that is fully trained.

Each agri-coop must strive to become producers of high-value finished products instead of being mere suppliers of cheap agricultural raw materials to the manufacturing sector, middlemen and traders.

CUP continues to access technology from local and foreign sources for our agricultural co-operatives. Notably, the technologies of waste utilization and manufacturing of rice strawboards, fortified organic fertilizer and modern fishing methods have been brought in and are now being implemented in selected co-operatives.

D. Financing Co-op Agri-business

Financing co-op businesses is still one of the major problems in industrializing agriculture. The policy of GFIs in giving loans only to the more developed co-ops with a 3-year good track record immediately excludes new co-operatives from the loan privilege even if they have good projects. The LBP which was formerly generous and often reckless in granting loans to financing agricultural co-operative projects. When it does, the loan is fully collateralized with high-interest and more stringent requirements than private commercial banks.

Co-operatives are normally regarded as high-risks by GFIs and the co-op leaders are treated like beggars rather than bank clients.

There is a need to request Congress and the President of the Philippines to divest the GFIs of funds for agriculture if they are not serving the needs of the farmers and co-operatives.

Countryside Development Funds channelled by legislators through the GFIs are most often not availed of by the co-op beneficiaries because of the very stringent requirements of the GFIs. The CDF end up unutilized and probably used for commercial lending.

CUP strongly recommends that the co-operative banks be strengthened and take on this responsibility of financing co-operative projects. The practice of GFIs using the co-op banks and co-operatives as channels for loans has made it more expensive for co-op borrowers and has relieved the banks of the risks and collection expenses but the supervision fee of two (2) per cent of the loan goes to the GFI instead of the co-op bank or co-operative conduit that is jointly and severally responsible for the loan with the borrowers.

Government must pull out the funds for agricultural from GFIs including some government deposits and transfer these funds to qualified co-op banks and credit co-ops if it is sincere in improving the chances of agricultural co-operatives to succeed.

Co-operatives must also deposit their funds in co-operative banks instead of GFIs that are not responsive to the needs of farmers and co-operatives. Co-op banks should link with private banks that gives better services to farmers and co-operatives.

A national co-operative bank should now be established among co-op banks and co-operatives in order to have a financing institution that can cater to the needs of our co-operatives. The provincial and city co-op banks must operate as branches of the national co-operative bank rather than continue operating as isolated small lending institutions with very limited services to co-operatives.

The co-operative life and non-life insurance systems must be strengthened in order to provide the insurance needs of co-ops and serve as a source of financing for co-op projects.

E. Development of Co-op Marketing Grid

Co-operatives must organize their marketing network at the municipal, provincial/city, and national

levels and operate under the concept of inter-coop trade and patronage. The co-op marketing federations must be assisted in establishing the infrastructure required for the assembly, classification, processing and packaging of co-operative products.

Post-harvest facilities and marketing facilities must be in the hands and total control of farmers through their co-operatives. Government must prevent capitalists who do not have anything to do with producing a crop to intervene in agriculture because they will just exploit the helplessness of our farmers. The right concept of free enterprise is in levelling the playing field among the players in the sector. In which case, only the real benefits of agriculture do not accrue to the farmers because government allows people who has nothing to do with agriculture to intervene and take away the profits from farmers at very little or no risk at all.

F. Special Projects

1. Manufacture of Fortified NPK Organic Fertilizers (granules, pellets, liquid) - Twenty fertilizer plants shall be established in the 20 major agricultural regions and provinces with capacities of 20,000 metric tons each annually over a five-year period. The manufacturing plants shall either be owned solely by co-operatives, on a turn-key project or on a joint-venture with local and foreign partners.
2. Rice Strawboard Processing Plants - A technology of processing waste rice straw into versatile construction boards and fabricated houses and other building systems has been introduced by CUP to provide additional incomes (about \$ 1,000 per hectare per year) to our rice farmers. A pilot plant costing \$ 2 million will be established.
3. Co-op World Trade Centre - CUP is establishing a 24-storey commercial complex that will house the Central Commodity Exchange, hotel, convention centre and other amenities normally found in first-class hotels. A permanent sales and display centre for co-operative product will be made available for local and foreign buyers.
4. Farm Guidance - CUP, in collaboration with CDA-JICA and other concerned NGOs, will establish a Farm Guidance Programme to facilitate the installation of farm guidance centers in every agricultural co-operative.
5. Fishery Co-operative Development Programme - A vigorous programme to organic fishery co-operative federations is now being pursued in provinces with sufficient number of fishery co-operatives (at least 15 primaries) to provide infrastructure, processing and marketing facilities to fishery co-operatives.
6. Programme on Professionalizing the Management of Agricultural Co-operatives - CUP has started providing opportunities to Agri-Coops to professionalize their management by undertaking training programmes for managers and middle-level staff. Formal training, scholarships, immersion and secondment training are being utilized as an approach to professionalizing agri-coop management. The assistance of ICA, MAFF, JA-Zenchu, IDACA, JICA, and other training institutes are being tapped for this purpose.
7. Amalgamation of Agri-Coops - Agri-coops grew in number from a few thousand organization in 1990 to around 2,700 agri-based co-operatives at the end of 1997. Efforts are being done to amalgamate small agri-coops either federations or joint-venture arrangements.

The Philippine Economic Crisis and its Impact on Co-operatives

National Confederation of Co-operatives Inc. (NATCCO)

1. Indicators of the Economic Crisis

- Continued depreciation of the peso
 - Currency crisis triggered the economic crisis. From P26.50 to a US\$ in early 1997 to P46 in late December 1997 to early January. Presently the peso has recovered to around P40 to a US\$ but is still unstable.
- Bank Credit tightening
 - Banks hoarded dollars and decreased money available for loans. As a result, interest rates went up. Prime rates are still at 25%-28%.
- Industry slowdown and depressed investors confidence
 - At least 20% of firms surveyed by E.I.U. are postponing their expansion plans.
 - Stock market become highly unstable and is generally on a downward trend.
- Employment lay-offs/retrenchment
 - This is resorted to particularly by import dependent manufacturing firms such as those in car manufacturing, brokerage firms, and capital-intensive construction companies.
- Depressed consumers confidence
 - Although official retail sales figures have yet to be released by the National Statistics Office, indications from commercial centers are that even the Christmas sales figures, traditionally at its peak at this time of the year, in the Philippines, are significantly down.
 - Sales of consumer durables are affected the most. Automotive sales are down to 5,000 in December from a peak of 12,000 per month in early 1997.

2. Degree of Severity of Philippine Crisis

- Analysis by far is that present crisis is 'milder' relative to the country's experience in 1983-85. Philippine government then had to declare debt moratorium.
- Philippines only regained its creditworthiness status in 1993. A blessing in disguise is the country's forex liabilities rose only to \$17 billion before the crisis occurred.
- It is projected that how severe the crisis will become will depend largely on the Philippine government will handle the situation.

3. Impact on Co-operatives

- A. Factors mitigating Effects of Crisis on Philippine Co-ops
 - 1. Generally have no dollar transactions
 - 2. No import dependence
 - 3. Not much debt leveraging

4. Not cash starved.

B. Impact on Operations

1. Some are experiencing withdrawals due to arbitrage
2. Delinquency of members laid off from work.
3. Increase in uncertainty leads to more cautious lending to members.

In general, co-operatives are affected more by the liberalization policies of the government and the weather conditions in case of agricultural co-operatives than by the current crisis.

4. Co-op Responses to the Changing Environment

1. Increase efficiency of operations
2. Seek new investment opportunities
3. Retooling of human resources
3. Strategic linkages
4. Spread the word about co-ops.

International Co-operative Development Strategies in the Changing World Environment: Continued Relevance of the Co-operative Model

By Nora Sobolov

Executive Director, Canadian Co-operative Association (CCA)

How can co-operatives make a real difference in Asia's changing environment?

What new partnership will help us put the co-operative sector more sharply on the development map of stakeholders and related development agencies as we enter the 21st Century - a time when Asian countries are searching for new strategies in the light of socio-economic problems.

Can the north and the south collaborate strategically to position co-operatives more effectively?

These are just some of the questions co-operators who have a stake in Asia are grappling with at this time.

On behalf of the Canadian Co-operative Association, I am honoured to participate in this think tank session and hope that all our efforts during the course of this meeting and our ongoing collaborations will serve to strengthen the co-operative platform in this region going into the 21st Century.

The Canadian Government identifies co-operatives as comprising a unique and valuable transition mechanism to assist developing countries in shifting from state-focused to private sector focused economies.

However, I would take issue with limiting the role and value of co-operatives to that of "transition tool," because they are so much more than that. Co-operative development, and the institutions that result, can be integral factors in the development and sustainability of free market economies. They are also ends in and of themselves. They create lasting democratic traditions and sustainable people-driven institutions which pay long-term dividends back to the communities that create them.

After all, the co-operative is a form of participatory economic enterprise that reflects mutual self-help and a democratic approach. Co-operatives require the active involvement of people at the local level as owners, managers and users of the enterprise.

Co-operatives are a critical tool in achieving sustainable development. As member-controlled business enterprises, they differ from the private sector in their response to changes in global economic structure, primarily through their unique approach of value-based management.

- Co-operatives are committed to finding creative ways to support sustainable local economies and to meet communities' requirements for goods and services.
- Co-operatives have a greater capacity to influence their communities than do most businesses - their directors are typically community traders, their members belong to many community networks, and their staff are committed to community education and improvement.
- Through democratic control, co-operatives accumulate economic surpluses that are reinvested or redistributed back onto the communities from which they came.
- The creation and/or existence of co-operatives often increases the ability of communities and regions affected by market forces to prevent or reduce employment losses.

CCA in Asia . . .

CCA has been working in Asia since the formal establishment of our International Development Department in the mid-70s. During that time we have worked in 11 countries. We are currently active in 10 projects in China, India, Indonesia, Nepal, Philippines, Sri Lanka, Thailand, Vietnam and Nepal.

- The projects range in size from direct assistance to small village level co-operatives and credit unions (i.e. Vietnam) to country-wide, multi-year, multi-million dollar commitments (i.e. Indonesia). The Canadian International Development Agency (CIDA) is a major partner in CCA projects, with co-operatives and credit unions also providing funds and human resources to assist in co-op initiatives. Recently a new era in CCA work with CIDA began when CCA was the successful 'bidder' among other development agencies and private firms to take on the Women's Income Gathering Project in China, a micro-finance project to set up a savings and loans system.

I think it is worth mentioning that we have relied very heavily on our colleagues and partners, in people like Robby Tulus (formerly at CCA now with ICA), Zilla Potivongsajarn in Thailand and Philippines, George Kuttickal in India, and P.A. Kiriwandiya in Sri Lanka, Paul Sinnappan in Vietnam, Malaysia and China, and Romy Villamin from the Philippines who has taken his expertise to Zimbabwe on our behalf.

- The CCA has also been a key conduit of information and expertise between Canadian co-operatives and co-ops in Asia. Our efforts have helped some of our members open up to the possibilities abroad, and to make contacts and develop relationships. Our involvement with ICA has furthered this process. Canadian co-operatives have identified needs and opportunities relating to Asia on their own. The result is a variety of initiatives and contacts that will certainly grow in coming years.

The Asia Co-operative Context . . .

Asia is characterized by its rapidly growing economies. Globalization has brought about widening economic disparities between powerful economic entities, systems (industrial nations, conglomerates, multi-nationals) and increasingly weaker and dependent systems (developing countries, small scale industry). Co-operatives in these economies will need to position themselves, and their members, among those who reap benefits from the process of globalization. A great number of Asia's poor live in rural areas where co-operatives have been particularly active. Though co-operatives have made significant inroads into helping the poor improve their living standards by helping themselves, poverty is still the major problem.

It is a difficult task to draw general conclusions about a movement as large and diverse as co-operatives in Asia. With more than 500 million members and more than 775 thousand primary societies, it is unlikely that we will find a few simple truths to characterize the entire movement.

- That being said, one of the truly distinguishing features of co-operatives in Asia is the relationship a co-operative or movement has with government. Again the range is breathtaking, as we have learned today.

How does CCA regard Canada's economy from a co-operative perspective?

Canada has a long history of co-operative activity. Starting in the nineteenth century as to provide goods and services and access to capital, many co-operatives today have evolved into large enterprises operating within a highly competitive administrative and commercial environment. Co-ops have been accurate mirrors of their times, reflecting the scale of evolution of Canadian society and economy.

- Today, co-operatives and credit unions are an economic force to be reckoned with. With total assets of over \$ 148 billion, the Canadian co-operative system plays a vital economic and social role in thousands of communities across Canada. It provides a diversity of goods and services through many different sectors of the economy. Canadians hold more than fourteen million membership within co-operatives, credit unions, and caisses populaires. The co-operative system is one of Canada's largest employers and, in the Financial Post's Top 500 Businesses, there are 46 co-operatives and credit unions, including 32 in the top 100.
- Our 36 national CCA member organizations represent co-ops throughout the country, with a particularly strong presence in the agri-food, retail/wholesale, and financial, insurance, and trust sectors. CCA members also have a solid presence in the service, health care, housing and childcare sectors. The CCA works closely on matters of mutual interest with its Francophone counterpart, i.e. Conseil Canadien de la Cooperation (CCC). Together, the CCA and CCC provide much needed forums for consensus-building approaches to economic and social issues. Another associate organization, the Credit Union Central of Canada (CUCC), is the trade association and central finance facility for credit unions in Canada.
- As vital prominent engines helping to drive the Canadian economy, both financial and non-financial co-operatives have a vested interest in the economic strategy employed by our federal government. Furthermore, in both philosophy and practice, the co-operative sector is a strong proponent of open public policy issues, the value of participatory democracy, and the strength of co-operation and partnership. That these principles of the co-operative sector and practical applications of the co-operative model are compatible with, and valued by, the federal government is demonstrated by successful government co-operative sector partnership, the existence and recent revision of federal co-operative legislation, and a federal Co-operative Secretariat.
- The expansion of the co-operative sector in Canada requires modern, flexible and clear legislation. Bill C-5, the Canada Co-operatives Act, is the result of extensive consultation across Canada and a collaborative effort between individual co-operative members, co-operative organizations, government officials, and government ministries (particularly Agriculture and Industry). The new Act modernizes and harmonizes the corporate governance rules relating to co-operatives with other modern corporate governance rules. At the same time, it provides a strengthening of the co-operative principles to which co-operatives operating under the act must adhere.

How does the international development help to strengthen the co-op movement in facing the challenges of the global economy?

CCA's model of co-operative development which was developed by our partners and ourselves, holds that co-ops function according to a set of clearly defined, internationally recognized principles. Within that context, CCA's model of co-operative development defines key factors involved in using the co-operative form of enterprise as a tool for business development, trade and education. Those key factors are: partnership, institution building, co-operative enterprise, and self-reliance. International development, that is driven by these factors, enables co-operatives and co-operative movements to face the challenges of the global economy because they build strategic partnerships, people-driven institutions, sustainable co-operative enterprises and a culture of self-reliance.

Partnership

- CCA's development partnerships in Asia operate at several levels - people to people, co-op to co-op, and movement to movement. In every case, there is a shared commitment by the local

partner and CCA to building that relationship and to successfully achieving locally defined co-operative development objectives;

- CCA enhances the mutual education of Canadians and its Asia partners through technical co-operation and exchange missions;
- CCA openly brings input to the partnership regarding such policy issues as the role of women, opportunities for youth, literacy, AIDS, and the environmental impact of the project.

Institution Building

- A co-op institution represents the sum total of the abilities and potential of the people who are involved with it. Building lasting, sustainable institutions that can continue to serve people for years to come is a matter of developing the human potential within;
- To make the most effective use of available resources, CCA often works with second and third tier co-operatives in Asia in order to provide support to the greatest possible number of primary co-operative members;
- CCA works to encourage collaboration and integration among co-operatives;

Co-operative Enterprise

- The CCA's co-operative partners are member-owned and democratically controlled businesses which mobilize human and financial capital and contribute to the economic strengthening of their communities and regions;
- CCA supports and encourages international commercial co-operation.

Self Reliance

- CCA participates in fixed-term projects to facilitate the viability and long-term sustainability of the partner.

Our view of co-operative development holds that the means through which co-operative organizations pursue their economic objectives can be as important and valuable as the economic objectives themselves. Strong co-operative businesses build communities, encourage democracy, and develop human resources - activities that strengthen the fabric of civil society.

- In many countries, co-ops offer one of the few opportunities to practice democracy. As such they are valuable training grounds, not only for the skills involved in democratic governance, and function, but also in the culture of open debate, tolerance for opposing opinions, honesty, and collective decision-making and resolution of disputes. The values that evolve from these experiences are values that are vital to a successful transition from authoritarian rule to democracy in the larger society.
- For a co-operative to function, the members must assume responsibility for its management and governance. As authority is collectively exercised, and top positions are rotated, strong leaders often emerge from very humble segments of society.
- For a nation to function democratically, it must be able to draw on a pool of people who possess leadership skills and a commitment to democratic values. Co-operatives create the opportunity, the necessity in fact, for ordinary people to acquire the skills and attitudes essential to a democratic society.

- The particular advantage of credit unions is their long term financial viability. By nature, they are more sustainable than project-based micro-credit approaches. Being bottom-up rather than top-down, they help introduce local people to the self-help participatory approach which in turn builds better understanding and comfort with democratic decentralization.

How can we achieve a synergy between CCA/ICA and other development stakeholders to assist representatives of the co-operative movement, the governments and international partners to strengthen the co-op platform in the Asia Pacific region and beyond?

Overarching points:

- Deep partnerships;
- Innovative joint programming recognizing the mutuality of interests;
- We recognize the inter-relationships in programme areas, we walk side-by-side;
- The nature of this partnership is we recognize the relationship and inter-relationships between programming initiatives.

With the changes taking place in many centrally-planned economies in Asia in the last decade, the ICA ROAP and other co-operative development stakeholders could for the first time endow the term “co-operative” with a single universally-applicable definition of true co-operatives in the region.

Co-operatives seek to bring about reforms and transformation to their organizations so these may be better equipped to deal with the ever-changing world economy. The CCA and DID endeavour to work together to explore and establish linkages, networks and strategic alliances necessary to enable co-op organizations in Canada and Asia to meet current emerging challenges.

What are the strategies and means to do so?

We are fortunate here in the Asia-Pacific Region because we have excellent people resources with which to achieve the synergy we are seeking. For example:

We who are stakeholders involved in delivering and promoting co-operative development in this region should identify existing, and develop new more innovative projects in order to test, develop and demonstrate co-operative solutions within the Asia-Pacific Region;

We should find the means to share our experiences and practices more effectively among ourselves and with other stakeholders in the region.

There is a need to ‘talk up’ - and to distinguish - viable people-based co-operatives in the marketplace. This will:

- help to clear up misconceptions currently held in private and public sectors concerning what co-ops are all about;
 - bring discussions about economic development options - such as micro-finance and micro-enterprise - into the co-operative domain where there is indeed a natural fit; and
 - clarify and help current and potential stakeholders understand the important role co-operatives can play in challenging the distributional outcomes of the market and urge for greater equality in the marketplace.
- There is a need to identify value-added roles which co-operatives both within and outside the region

can play in challenging the distributional outcomes of the market place, and urging government to put in place policies and development resources that will facilitate greater equality for co-operatives in the market place.

To this end, CIDA, DID and CCA, in collaboration with ICA ROAP, are carrying out an in-depth study of Asian and Canadian co-operatives, which will serve to define a global strategy for CIDA supported programs in the Asian co-operative sector, and to demonstrate clearly, the specific role played by co-operatives in these increasingly interactive economies.

So far we have developed terms of reference for a joint proposal to develop guiding principles and future directions for CIDA and the Canadian and Asian co-operative sectors, through a collaborative consultative process. The strategic analysis of Canadian and Asian co-operatives will focus on the past, present and future impact and role of co-operatives, and their potential as a catalyst for positive change in both Canadian and Asian economies. Essentially a consultation with key Canadian and Asian co-operative leaders, this initiative can be seen as an impetus for increasing linkages between Canadian and Asian co-operatives and CIDA. It is envisioned that closer linkages with CIDA's priorities and future programming with the Asian and Canadian co-operative sectors will result.

The proposed strategic analysis of these sectors will help all parties, including CIDA, to develop more effective results-based programming. It should also shed new light on their respective development strategies.

Finally, ICA ROAP will be resourced to co-ordinate the efforts of stakeholders who want to help strengthen the co-op platform in Asia by facilitating the sharing of information and planning the necessary strategic meetings to achieve this end.

Canadian Co-operative Association

Model of Co-operative Development

Co-operative function according to a set of clearly defined, internationally recognized principles. Within that context, CCA's Model of Co-operative Development defines the key factors involved in using the co-operative form of enterprise as a tool for business development, trade and education.

Partnership

- CCA's development partnerships operate at several levels - people to people, co-operative to co-operative, and movement to movement. In every case, there is a shared commitment by the local partner and CCA to build that relationship and to successfully achieve locally defined co-operative development objectives.
- CCA enhances the mutual education of Canadian and its overseas partners through technical co-operation and exchange missions.
- CCA openly brings input to the partnership regarding such policy issues as the role of women, opportunities for youth, literacy, AIDS, and the environmental impact of the project.

Institution Building

- A co-operative institution represents the sum total of the abilities and potential of the people who are involved with it. Building lasting, sustainable institutions that can continue to serve people for years to come is a matter of developing the human potential within.
- To make the most effective use of available resources, CCA often works with second and third-tier co-operatives in order to provide human resource development and funding to the greatest possible number of primary co-operative members.
- CCA works to encourage collaboration and integration among co-operatives.

Co-operative Enterprise

- The CCA's co-operative partners are member-owned and democratically controlled businesses which mobilize human and financial capital and contribute to the economic strengthening of their communities and regions.
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**International Co-operative Development Strategies
In the Changing World Environment :
Continued Relevance of the Co-operative Model
- An ILO Perspective**

By Mr. Gilbert Renard
Senior Co-operative Development Specialist

The ILO is interested in participating in the first Co-operative Think Tank Consortium organised by the ICA ROAP with the aim of setting out a new era of partnership that will put the co-operative sector in the Asian and the Pacific countries more sharply on the development map of stakeholders and related development agencies, including the ILO, as we enter the 21st Century.

The topic to be discussed is : "International Co-operative Development Strategies in the Changing World Environment: Continued Relevance of the Co-operative Model – An ILO Perspective" with the possibility to include some proposals which may feed an exchange of views on this topic and pave the ground for reinforcement of the co-operation between the ILO on one hand and the ICA and the co-operative movements from Asia and the Pacific on the other hand, to contribute to the development of existing co-operatives and to the promotion of new ones.

The present meeting could also be a renewed opportunity, - a previous one was provided by the participation of the ILO Director General at the ICA General Assembly in Geneva in September 1997 - to conduct a reflection all together of the common attachment of the ICA and ILO to social justice and economic progress for all workers, including those who come together in co-operatives in order to improve their income and living conditions.

With that purpose in mind, it is probably useful to first briefly indicate which are the present strategic orientations of the ILO all over the world and the main elements of its co-operative programme.

The co-operative programme belonging to the Co-operative Branch within the Enterprise Department, which represents a considerable percentage of the ILO's technical co-operation operations, is based on **three strategic orientations** which our Governing Body has for some time identified as **priorities for the whole office**. These are : **protection/ promotion of democracy** and the fundamental rights of workers, **promotion of employment** and the **struggle against poverty** and finally **protection of workers**.

The main elements in relation to those three strategic orientations are all relevant to the present local and global context in Asia and in the Pacific and certainly coincide largely with the **main** pre-occupations of the co-operative organizations of that region and their future role in economic and social development.

The promotion of democracy at the local and national levels is at the centre of the concerns of the programme, which adheres to the universal co-operative principles of respect for self-management, democratic control and independence. This sometimes leads to the drafting or rewriting of co-operative legislation and policy. For many years the **ILO, just like the ICA, has frequently been called upon to provide advice and develop proposals in this field**. Within the framework of democratisation process, the ILO has also adopted Convention Number 169 on indigenous and tribal people, which supports their organisation into co-operative type or mutualist enterprises in order to meet their basic economic and social needs, while still preserving and recognising their own values and characteristics.

The ILO believes that the issue of equality of **opportunity and treatment between men and women**

is an essential element for a democratic economic and social development and recognises that co-operatives, by their democratic nature, are an **efficient means of an equitable access of both men and women to social (education, training, health) and economic activities and in equal participation in the management of economic affairs and in decision-making.** In this area too, the ILO Co-operative Branch works with the ICA, notably in the development and application of policies and programmes in favour of women co-operators.

As they produce more goods and services, **co-operatives** have not failed to assume their own **vital function of job preservation and creation.** One can see the truth of this statement in many developed and developing countries. And still, no doubt more than ever, they **constitute a kind of human and business organisation capable of bringing appropriate and efficient answers to the employment challenge of today's world.**

The ILO's co-operative programme also includes an important component designed to **break the vicious circle of poverty.** It has conceived, tested, and popularised a methodology and techniques for local participatory development which have enabled rural population, often the poorest, to become involved in a responsible, competent, and productive manner in local-level economic and social activities. In addition to activities directly linked to production, these **disadvantaged groups**, organised in co-operative-like associations, have become involved in activities designed to satisfy their very **diverse, basic needs such as food security, housing, drinking water, and elementary education.**

As for **workers' protection**, many mutuals which are part of the Social Economy, like co-operatives and associations, benefit from the support of the ILO to promote social services; the goal being is in line to provide the most disadvantaged people with an **efficient social protection based on their own existing dynamics of self-organisation.**

In keeping with one of the fundamental co-operative principles - **access to education and professional training** of members and elected leaders of co-operatives - human resource development activities have been carried out by our programme on a world-wide level, promoting at the same time, social justice and economic performance.

In a more and more global economy, it also has the **capability and the will to be concerned** with the respect of workers' fundamental rights, so that market forces alone do not dictate their requirements to the detriment of social aspects of development.

The ILO is convinced that the growth of a self-reliant co-operative movement is an important contribution to economic, social and cultural development. As co-operatives must be regarded in the first place as self-help organisations of their members and as such, co-operative enterprises could be used by members as a means of:

- * encouraging their spirit of initiative and of pooling resources, skills, and factors of production to improve their economic, social and cultural situation;
- * contributing to an increased measure of democratic control of economic activity and of the equitable distribution of wealth; especially, in developing equitable or ethical co-operative trade for better remuneration for small producers;
- * making better use of under-utilised or misused resources for local economic development, the development of small and medium-scale enterprises, the processing of local raw materials, byproducts and waste products, thus creating employment in the agricultural and non-agricultural sectors, and thereby contributing to the increase of national income;
- * improving the financial condition of individuals and increasing the capital resources available

for development by the encouragement of thrift, and by the sound use of credit;

- * developing co-operative banking and insurance to finance and protect the co-operative organisations and the co-operators themselves;
- * improving economic and thereby the social conditions of co-operative members and their families in the fields of low-cost housing, health, education and communication;
- * helping to raise the level of general education and technical knowledge of their members.

The main recent changes of the socio-economic and financial environment in Asia which affect the co-operative enterprises and their development were described with precision and details by several participants during this meeting. There is no need to recall them.

Only some considerations about this environment will be indicated as they have a direct or indirect relation or influence on three key issues which:

- a) employment creation and poverty alleviation through co-operatives;
- b) co-operative human resource development;
- c) general policies on co-operative development, co-operative legislation, revision and the evolution of the relations between co-operatives and the State to create a favourable climate for co-operative development.

These key issues have and will greatly influence the co-operative development in the region. They are part of the core mandate of the ILO co-operative programme which is prepared to co-operate with the ICA, the co-operative member organisations, and the development agencies to engage appropriate actions to develop activities on these three topics which will be developed in this paper.

The present environment in Asia is characterised by its diversity and the great variation of the socio-economic and financial conditions observed in the developed and in the developing countries, in rural and urban areas, in traditional and modern sectors of the economy, in countries where economic development is strongly influenced by the State and in countries where the economic private sector is largely dominant, etc.

However, it seems that despite that diversity of situations, employment, HRD and the need for an evolution of the co-operative development policies and legislation are of common concern and great importance.

The validity of the universal co-operative values and principles are also generally recognized as positive and applicable for a more equitable and profitable but balanced economic development in the Asian and Pacific countries. In this respect, I feel that the co-operatives cannot be value-neutral but value-based.

This could be a good platform to build-up a realistic but dynamic co-operative development in the region.

Moreover, fight against poverty in the rural and urban slum areas should also appeal for active co-operative development programmes as, from the generally admitted statistics, 65% of the poor people living in the developing countries are located in the Asian region alone. The diversification of the co-operative sector in that region present, between other factors, an obvious master trump for that purpose. Furthermore, I hope that you may share the view that the sole liberalisation which is really worth is the one of local initiatives for a better local productivity and that the sole worthy globalisation is the one of protection of these local initiatives for a day-to-day fight against poverty.

Coming more specifically to the employment issue which covers job creation and preservation and self-employment.

A. Promotion of Employment and Job-Creation by Co-operatives

Structural adjustment policies and programmes: a chance for co-operative development

A great majority of Asian countries have adopted structural adjustment and stabilization programmes in the 1980s and the 1990s. Although many countries are now experiencing the positive impact of structural adjustment in the form of accelerating economic growth rates, resulting in a modest increase in wage employment, the immediate effect of adjustment policies was invariably a sharp decline in formal employment in particular in the civil service and in parastatals and the simultaneous expansion of the informal sector.

This informal sector is indeed growing as an alternative source of employment for both new entrants on the labour market and those retrenched from the public sector.

Another effect of adjustment was a shift in the composition of the gross domestic product (GDP) from agriculture and manufacturing to services and trade. Moreover, economic liberalization has favoured the 'informalisation' of national economies, forcing more and more households into residual occupations, such as very petty trading, unskilled day labour and farming on sub-marginal land.

In general, it is the poor and undernourished part of the population that suffers from unemployment or underemployment most. The people who are affected by under-employment are mainly active in rural areas as farm labourers or seasonal workers, as well as in the informal urban sector as traders or small-scale producers. The growth of the informal sector is to a certain extent determined by the former, when a lack of employment opportunities in rural areas has caused migrations to the agglomerations.

In the past, many governments of developing countries and development partners have considered co-operatives and similar organizations primarily as intermediaries between the state and the private sector on the one hand, and the rural population on the other, but often neglected their employment creation potential. Yet the co-operative approach to business development can create employment.

It is important in terms of efficiency and chance of success of co-operatives to identify those areas in which co-operatives have a comparative job-creation advantage over individual enterprises, capital-based companies and public sector enterprises.

Tentatively and generally speaking, we may try to summarize the comparative advantages and potential of co-operatives in comparison with individual enterprises, capital-based companies and public sector enterprises as follows:

- * Economies of scale: through the co-operative organisation, independent entrepreneurs and workers in the informal sector can carry out joint purchasing and marketing operations and thus realize economies of scale;
- * Economies of scope: this refers to the fact that joint production facilities, division of labour and specialisation, and therefore enhances productivity;
- * Increased bargaining power: the co-operative combines the offer and demand of its members and thus increases their bargaining power;
- * Member participation and motivation: fundamentally, a co-operative is based on a great sense of **responsibility, solidarity and commitment** to share the advantages but also the risks of their co-operative. The active participation of members in the management of a co-operative is

likely to reduce costs and thus to enhance cost-effectiveness, and to facilitate capital mobilization;

- * Membership value (as compared to shareholder value): the over-riding objective of any co-operative-type organisation is to provide services to members, not to remunerate capital. A co-operative aims at preserving the self-employment of its members and therefore favours a more labour-intensive production process than capital-based companies;
- * Representation of interests: through the (officially registered) co-operatives, members can much better defend their interests than individually, in particular when the business is part of a vertical structure;
- * Stability: because of risk sharing between members, co-operatives are generally more stable than individual enterprises;
- * Innovation: one important reason for members to join a co-operative type organisation is to learn from others and to innovate together;
- * Legal Protection: by entering a co-operative company, small-scale producers obtain legal protection, will restrict their economic liability to the amount fixed in the bye-laws.

This being recognized, it seems logical to consider that the primary and secondary co-operatives have an important role to play in preserving and creating valuable jobs both in rural and urban areas. This is why the ILO has paid and pay an even more greater attention on that issue in the framework of one of its three major strategy orientations; namely the one dealing specifically with employment-creation and fight against poverty.

In doing so the ILO in general, and its Co-operative Branch in particular, would like to share its views with the co-operative leaders, the ICA and development agencies concerned to formulate practical answers to the question "how to create jobs through co-operatives in the present socio-economic and financial Asian context and to participate in their implementation?".

The ILO, Employment Promotion and Co-operatives

1. The role of co-operative organizations in the promotion of employment in developing countries has always been a concern for the ILO as expressed in its Recommendation No. 127 of 1966, concerning the Role of Co-operatives in the Economic and Social Development of Developing Countries. It emphasizes that "in particular, co-operatives should be established and developed as a means of (...) increasing (...) employment by fuller utilisation of resources". Moreover, a review of ILO operational activities in the field of co-operatives stresses that co-operatives are capable of generating employment and income-earning opportunities.

Generally speaking, we may consider that except for workers' co-operatives, the creation of employment is usually not the primary objective co-operatives are pursuing but rather a consequence of successful co-operative business operation. However, co-operatives in general possess a potential to influence employment in the following five different ways:

- a) co-operatives as workplace in the case of workers' co-operatives;
- b) co-operatives as employers in the case of service co-operatives which employ members or non-members, and in the case of people employed within the co-operative apex structure;
- c) co-operatives promoting and/or enabling self-employment which occurs if service co-operatives successfully provide promotional services to their members' economies/ households;

- d) co-operatives effect indirect employment, where jobs are created as a direct consequence of the very existence of co-operative societies, i.e. in the case of institutions involved in the promotion of co-operatives;
- e) co-operatives, through their operations, induce spill-over effects on their environment, some of which are directly related to employment.

The intractable nature and magnitude of unemployment, particularly in the Asian and the Pacific developing countries, call for new ideas, innovative organisational approaches, and bold leadership, if any real progress is to be made in solving this problem.

The basic message is that the best approach to economic recovery combines **growth, solidarity, responsibility and participation, an endeavour in which employment**, labour market and co-operative development policies play an important interactive role because economic and social progress must advance together sustained by vigorous and permanent education and training efforts.

Employment has to be productive by contributing to the output of goods and services that are necessary for improved standards of living and increased income for the population as a whole.

Most of the effort to achieve this goal will be to make existing jobs - particularly in agriculture, small industries and the informal sector - more productive and more attractive.

There are numerous examples of **informal co-operative-type self-help organisations** which have improved the efficiency of agricultural production, contributed to community development and facilitated cottage industry production. Thus, such organisations were instrumental in generating employment and income. A similar observation is made for co-operative-type joint stock enterprises which have enabled workers to preserve their employment. Co-operatives also make indirect contributions to employment and income by increasing the quality of human capital through education and training of their members and employees, by stimulating greater involvement of members in their community, and by encouraging the division of technological innovations.

Furthermore, the co-operatives have a large potential for mitigating the negative employment and income impacts of structural adjustment measures. For example, co-operatives have replaced in certain countries state marketing boards; savings and credit co-operatives, by mobilizing local financial resources, have helped to fill the resource deficit created by the reduction of public finance and credit for producers; labour co-operatives have helped redundant workers to find new employment opportunities; consumer co-operatives have helped to provide food and other staples at reasonable prices; workers' co-operatives and co-operative-type joint-stock companies have taken over state-owned enterprises and preserve employment for workers who would have otherwise been displaced.

This suppose that the governments themselves make the necessary policy reforms to mobilise domestic savings for which the savings and credit co-operatives and the co-operative banks can contribute efficiently. It must also be the case in the fields of quality improvement of their human resources and above all, to ensure the full participation of all sectors of the society in the design and implementation of such policies. Is the latter which underpins the important notion of **social sustainability**. As far as the **urban informal sector** is concerned, improving the productivity and working conditions of small-scale producers and micro-enterprises is the key to informal sector operators to organize themselves so that they can collectively negotiate services, prices, regulations and conditions with business partners and the state. Co-operatives can play an important role in this respect. In addition, a registered business unit provides its members with economic and social services and with an official status that protects them from harassment.

Between other types of technical co-operation programme, the ILO, in close collaboration with the ICA, if so agreed, may help technically co-operatives and their apex organisations to create and save jobs

by establishing, in each participating country, a comprehensive service infrastructure for new and existing co-operatives. The services offered by this infrastructure may include:

- * Organizational support to unemployed people in the start-up phase of the co-operative groups;
 - * Assistance in administrative procedures, legal matters and taxation issues for the establishment of a co-operative;
 - * Technical advice and skills training in product design and production technology;
 - * Managerial advice and management training with particular emphasis on workers' co-operative management;
 - * Marketing assistance, including export marketing;
 - * Access to capital through a guarantee fund and the establishment of mutual guarantee associations;
 - * Advice and assistance in organizing social services for members;
 - * Advice and assistance on the establishment of secondary organizations, such as unions of workers' co-operatives.
2. In collaboration with the ILO INTER-COOP Programme.
 3. In collaboration with the ILO Programme "Social Services Based on Mutuality".

If necessary, legal advisory services will be provided to assist governments in adapting laws governing co-operatives to the special requirements of workers' co-operatives and worker-owned enterprises.

The technical co-operation activities may focus on creating and stabilizing jobs in handicrafts, small industries, services and trade. Although agriculture is by far the greater "employer" in many Asian countries, it is believed that non-farm activities have a greater potential to create new jobs with relatively little investment. This means that efforts should be concentrated primarily in urban areas.

It will promote the following types of **workers' co-operatives**:

- a) Worker-owned enterprises formed as joint production units by persons who would not succeed economically as individuals, most often because they lack capital or expertise. This includes three sub-options:
 - i) the *traditional workers' co-operatives* in industry and agriculture with a joint production unit and no distinction between management and staff;
 - ii) the *labour-contracting co-operatives* whose members offer joint services on a contract basis, most often in labour-intensive public works, the construction sector and forestry;
 - iii) the *worker-owned enterprises* established as a result of workers' takeovers.
- b) *Client-owned co-operatives* formed as pre and post production service centres by a network of individual entrepreneurs or micro-enterprises in trade, industry and services (inter-enterprise co-operation).
 - i) Encourage countries to evaluate their co-operative laws and, where necessary, assist them to modify existing legislation or draft new laws specifically designed for workers' co-operatives, co-operative type joint stock companies and labour contracting co-operatives;
 - ii) develop basic strategies, models, training material and approaches which can be used to promote, incubate and finance such organizations;

- iii) create, in each country, a comprehensive service infrastructure for workers' co-operatives;
- iv) incorporate gender considerations into workers' co-operative promotion strategies;
- v) include the option of workers' takeovers as an alternative to the privatisation or liquidation of parastatal agencies or state companies.

4. This will be done in collaboration with the ILO Coopreform programme. In many countries, the provisions in the general co-operative law are not taking into account the special nature of workers' co-operatives.

In relation to **rural areas** of the Asian and Pacific developing countries, the co-operatives and similar self-help organisations can however be considered as an efficient type of enterprise for self-employment and thereby for the absorption of the workforce which can be neither employed by big and small private enterprises or by the public service or enterprises existing in the urban and rural sectors. According to the World Labour Report of the ILO in 1992 in most of these developing countries, less than 50 per cent of the work force in the non-rural sector and less than 75 per cent in the rural sector are absorbed by wage employment. This fact makes the search for alternative employment opportunities to one of the most urgent challenges at the end of this century and for the next one. Co-operative organisations offer for micro, small and medium entrepreneurs survival in the formal and informal sector but also an improvement of the living standards of household in these sectors. Through joining together in such organisational forms, small economic units can obtain services, finance and information at favourable conditions. Thus co-operatives have an impact on the employment and income situation and can contribute to poverty alleviation. In doing so, the co-operatives should be promoted and extended not only to the use of land, equipment and credit, but also to the fields of transportation, storage, marketing and the distribution network, processing and services.

As a tentative synthesis on the role of co-operatives in the promotion of employment and income, particularly in the rural and informal sectors, we may stress the following points:

The need to consider the potential of co-operatives in promoting employment and income

Co-operatives have to be seen as one kind of association which had successfully created and maintained employment through mutual self-help and can pursue their positive efforts in the future. Moreover, co-operatives must be considered as a force for social change. However, it is reasonable to stress that the potential of co-operatives should not be over-estimated, and that it would in many cases be a great success if co-operatives were capable of maintaining existing employment.

Nevertheless, it is observed, for example, that savings and credit co-operatives possessed a potential to promote employment, particularly in two respects:

- * First of all, through granting loans to their members which had both direct and indirect effects on investment and employment;
- * Secondly, credit and savings co-operatives themselves were in many cases important employers of staff;
- * Thirdly, savings and credit co-operatives may improve through interest earned on savings. Supply and marketing co-operatives induced spill-over effects since they helped ensure that capital remained in rural areas, thus promoting both the production and service sectors. Workers' co-operatives and other new types of co-operatives could play a significant role in regard to job creation and maintenance.

The relation of co-operatives to official employment policies

Co-operatives had the potential to contribute to the fight against unemployment, and should be integrated in aspects of official policies in this regard. However, co-operative associations need to be autonomous to fully develop their employment promotion potential. It is considered important to give certain rights and benefits to co-operatives under the law and government support could not be completely withdrawn from the co-operative sector. In this context, easy registration, access to public media, and the inclusion of co-operative education into school curricula are necessary and has to be taken into account by all parties concerned.

About the relations between co-operatives and employers' organisations

Employers' organisations have a potential to contribute to the promotion of co-operatives which had certainly not been fully realized, although employers' organisations were willing in many cases to play an active supporting role. One of the reasons for this situation was the lack of awareness of the nature of co-operation and co-operative business enterprise. In this context, it is suggested that the ICA and the ILO programmes of work - with other organisations interested - establish guidelines on how employers' organisations could contribute to successful co-operative development. The relationship between employers' organisations and co-operative movements had strengthened in the course of time as co-operatives are, nowadays, in many cases, large enterprises and therefore major employers and even members of employers' organisations. This co-operation can be pursued.

About the relations between the co-operatives and the trade unions in terms of job and income creation

We know that there is a strong link between trade unions and co-operatives, since both were dedicated to the economic and social well-being of their members and attempts should be made to further strengthen their interaction in regard to employment. To do so, it recognised that trade unions would need in many cases to have co-operative education programmes for trade union members.

In the specific field of creation and preservation of jobs

We have to consider that employment promotion did not just refer to employment creation but also included **employment preservation**. In this regard, a number of promotional measures can be taken:

- * the availability of investment funds for small and medium-scale co-operative enterprises and the training of people on how to use the funds, and how to improve the management of their enterprises;
- * the initiation of joint action with employers organisations, trade unions and the co-operative movement to develop strategies on how to solve the problem of unemployment and this should be coordinated with the public authorities;
- * the encouragement of consumers to buy locally produced and competitive products since experience has shown that even the spending of only a small part of overall consumer expenditures on local goods has had a considerable impact on production and employment.

As far as co-operatives and women development is concerned, the ILO recommend that women should be given sufficient priority in any strategies to promote employment through co-operatives and therefore it should be ensured that women had the legal right to become members of co-operatives, especially where they were primary users and producers of co-operative services.

*About the role of co-operatives to **integrate youth** in the active life, special strategies will be*

profitable to encourage co-operatives to help youth to meet the challenges presented by unemployment and other labour market problems. This could take place through existing co-operatives and co-operatives set up by young people themselves.

The informal sector and co-operatives

We have seen that the informal sector had contributed to employment creation and that co-operatives had a capacity to play a role in the development of small enterprises which form part of the informal sector. In this regard, systems of local development which involved people in the planning and implementation of development programmes had a role to play. This is also the case for the creation of self-employment in the rural sector.

About research on co-operative and labour issues

The ILO and other appropriate institutions like the ICA should further **investigate** relevant topics such as:

- * the relationship between co-operatives and the labour market;
- * the development of innovative approaches to both co-operative promotion and to employment promotion and income generation by co-operatives;
- * the relationship of labour law to co-operative law and to the special associative relationship in worker co-operatives;
- * cultural-bound variations of labour law with regard to co-operatives.

As far as part-time workers are concerned

The subject is relevant for co-operatives. Their number was increasing, even in co-operative movements, which meant on the one hand that additional employment opportunities were created but on the other hand that the income levels were often not satisfactory for the people concerned. Reasons for this situation were seen in the need to provide employment opportunities for the increasing number of former home workers now entering the labour market, as well as the fact that more and more people wished to continue working after normal retirement age. It was felt that part-time workers needed to have access to co-operative education and to be included in strategies to promote employment through co-operatives.

Implementation strategy to preserve and create employment through co-operatives

The ICA and the ILO should play a leading role in coordinating human, technical and financial resources among the co-operative movements, the social partners, governments, NGOs, and international organizations for innovative approaches for the promotion of employment through co-operatives.

B) Human Resource Development (HRD) through Co-operatives

The co-operative model has now, even more than before, a sustaining relevance and a key role to play in the vital area of human resources development which affects directly the economic viability, the management efficiency and the democratic control of each co-operative enterprise.

It is obvious that a co-operative must “invest” a lot in its human resources (co-operators, co-operative leaders, managers, and technicians). This obligation is fortunately a tradition of the co-operative movement in application of the universal principle of co-operative education. The present economic environment based on free market, liberalization, high level of economic competition, and de-officialisation

render that area of co-operative activity of tremendous and accurate importance for the survival and development of co-operatives at each level of organisation, in each sector of activity, and in each country.

To our mind, co-operative **HRD** has to be considered first of all as a **productive factor**, which is an indispensable investment and not simply an expenditure which bring in no returns in the present context of highly competitive economic and rapid technological change.

Cooperative HRD goes beyond the traditional framework of cooperative education and training. It includes a variety of issues, such as developing efficient communication and information systems, research, extension, networking and manpower and career planning: Co-operative HRD should be seen in its entirety as well as within the framework of its contribution to development of society as a whole.

Co-operative HRD was, in the past, mainly the responsibility of government in most developing countries, including the ones in Asia and the Pacific. However, state-sponsored education and training programmes have had shortcomings. These shortcomings included generally poor quality of trainers, absence of on-the-job training systems and the inadequate follow-up of education and training programmes. It was observed that in some developed countries, highly sophisticated training systems existed linked to career development. These training programmes were also aimed at improving managerial and business skills. Nevertheless, it is felt that in such countries, there is also a need to emphasize more on basic co-operative principles and values. We, at the ILO, are of the opinion that co-operative HRD should be mainly the domain of the co-operative movement itself in partnership, where relevant, with other social partners and development agencies.

Co-operative HRD involves different **actors (groups and individuals)**. These actors include co-operative members, managers and staff, elected directors, promoters, policy-makers and parliamentarians. **Sensitization** activities needed to be carried out at all levels to insist on the need for co-operative HRD as a factor of production and on the benefits accruing from investment in HRD in the long run.

As far as the training activities are concerned, it is now of great importance to train not only the co-operative managers but put an emphasis on training of board members, so that the policies and business operations of co-operatives would be guided by user-owners and not by employed managers alone. This is also a condition for the exercise of a democratic control on the co-operative activities. This is indeed a very challenging issue.

We think that **training the trainers** is an area in which donor agencies could be most effective in view of the multiplier effect on grassroots co-operative education and training.

In summing-up, co-operative training need to be adequate, systematic, continuous and long-term in nature. Therefore, short and medium-term technical assistance programmes should be reconsidered as to their adequacy for that purpose.

Co-operative HRD should form part and parcel of **general education** and be promoted at all levels of the educational system. It should be included in the curriculum of educational institutions, including universities and colleges. The establishment of **school and university-based co-operatives** should be encouraged, because they would provide business experience to youth while instilling in them the principles and values of co-operation. Co-operative HRD should also be linked with vocational training programmes since co-operative enterprises need, specific competencies to develop their activities and to provide self-employment and wage-earning jobs.

As far as the training impact is concerned, a high **turnover of co-operative staff and trainers** constitute frequently a serious constraint with a bad influence on co-operative development. Therefore, appropriate monetary and non-monetary incentives should be provided to such persons, otherwise they

were bound to leave the co-operative movement. There is need to determine strategies for retaining such staff because it is well recognized that the most successful co-operatives are run by managers and staff who are well qualified and are paid what they are worth.

The **financing of co-operative HRD Programmes** need to be based within a long-term framework and it would not be realistic to expect that all co-operative movements would have sufficient financial resources to entirely pay for HRD corresponding with their needs. As a logical consequence of that situation, it is advisable to establish a mechanism which would pool financial resources of the co-operative movements and trainees without excluding other sources of funding. This mechanism would not give a positive financial answer in most of the cases, but would also ensure that co-operative HRD would be need-based and practice-oriented, thus preventing the wastage of valuable resources. Donor agencies could play a role through appropriate technical assistance by assisting co-operative movements and training institutions to reach a stage whereby this mechanism could be made successfully operational.

Recognizing that international development agencies, including the ILO, have a role to play in co-operative HRD, they should coordinate their efforts to avoid duplication and wastage of resources. Such agencies should also try to support the potential of co-operative networks in order to develop national self-sustaining HRD and services capacities able to help co-operative entrepreneurs and assist in the integration of women in co-operative HRD programmes and in the co-operative management.

As far as the ILO is concerned, its Co-operative Branch has developed and is implementing various programmes which aim at facilitating acquisition of know-how, skills and attitudes directly at grassroots level (primary co-operatives and self-help organisations). It also managed an inter-regional programme on HRD for co-operative management and networking better known under the acronym: COOPNET, which mainly aim at facilitating networks among co-operative training institutions at national, regional and international levels, for the development of their human resources and those of the co-operatives themselves.

C) Adoption of General Policies on Co-operative Development, Revisions of the Co-operative Legislation and Relations between Co-operatives and the state for the Promotion of a Favourable Climate for Co-operative Development

We all know that the conditions and environment under which co-operatives operate in the countries of Asia and the Pacific are very varied. However, all co-operatives are today faced with enormous challenges. In the developed countries like Japan, to take just one example, agricultural co-operatives have to tackle the problem of increased imports, whilst in the developing countries, structural adjustments are taking place and markets are being liberalized.

For the developing countries, in particular, the challenges are considerable. Governments in these countries are in the process of changing their attitudes and functions as regards their role as creator and provider of co-operatives. Many co-operatives are gradually regaining their autonomous status and democratic character and we must be pleased to observe this orientation but this also represents a daunting challenge for those which have been totally dependent on the government for so long and have in many cases neglected their most important asset - their members.

Under these structural changes, co-operatives, nevertheless, have an important role to play. They must first readily adapt to free market conditions in order to develop the potential to help solve some of most critical socio-economic problems encountered by the people in developing countries today. We have seen that they can, for example, alleviate some of the hardships caused by structural adjustments by helping to create employment. They can also provide credit facilities, training and education for members and a framework in which less-advantaged groups can be organized. This was also mentioned as it was

underlined by several participants and myself that the involvement of members in the management and operations of co-operatives is of ultimate importance to the future development of co-operatives. Without members' active participation and their commitment, co-operatives will find it difficult to survive in today's socio-economic environment, but this cannot be done or, at least will encounter many difficulties, if a 'favourable climate' is not created by the State which has a dominant responsibility in this matter.

In order to create such a favourable climate and conditions for co-operative development each country in the region will have to address at least 9 key-areas which all influence each other and, in combination, determine the climate and conditions for co-operative development. However, governments in the region will first have to determine clearly whether they want to follow the co-operatives to become self-reliant, self-managed, autonomous organizations.

Before presenting the nine key areas which may influence positively the climate and the environment against co-operatives and their development, it is useful to define what should be the attitude of the State against co-operatives as the State is the main actor and has a great responsibility in favouring or not a positive environment for an autonomous and viable co-operative development.

For the ILO, the relationship between the **State and Co-operatives** rests on three basic principles:

- state recognition of the co-operative form of socio-economic organization;
- state recognition of the autonomy of the co-operative as a democratic and member-controlled entity;
- state recognition of the co-operatives' right to operate on not less than equal terms with other organizations and institutions, including both private and public enterprises.

The **role of the State** as lawmaker is obvious and the co-operatives recognize and accept the function of the State in setting legal standards for their operations.

The role of the State as lawmaker is to provide an enabling legal environment for co-operatives, including registration.

The State should also recognize that co-operatives can play a role in social and economic development and the promotion of democracy.

While respecting their autonomy, the **State can promote co-operatives** by:

- facilitating a favourable socio-economic and legal environment; providing support services for co-operative education, training, information and research;
- encouraging co-operative activities, including joint activities with the State in such areas of common concern as the protection of the environment, the provision of social services, the integration of marginal social groups, and employment creation;
- encouraging co-operatives to undertake innovative ventures to deal with emerging economic, social, technological and ecological challenges and in developing new forms of co-operative associations.

An additional area of concern should be the promotion of co-operative institutions (i.e. co-operative apex organizations and training institutions) to undertake these promotional activities.

Moreover, the State must recognize that co-operatives should be free to work in all legal areas of human endeavour.

Due to recent trends towards political liberalization and the market economy in developing countries and economies in transition, long establishing government supervisory structures have been called into

question and have been weakened. The role of the State and of co-operative law has changed, and basic elements of the legal structure such as collective, co-operative or State property have now become part of the private sector. Cooperatives, formally viewed in some countries as parastatals, have become true private and autonomous institutions. Structural adjustment policies have reinforced political liberalization and the trend towards democratization, de-officialization and de-regulation of the co-operative movements in developing countries. Obviously, the experience has shown that co-operatives cannot develop under strong government control, and that the trend is towards the reform of co-operative law to limit the regulatory powers of the State. In developed countries, the role of the State under co-operative law has been historically limited to a promotional role based on the belief that efforts should be encouraged to improve the business efficiency of co-operatives and to enhance their capacity to compete with other enterprises. At the same time, co-operatives are allowed autonomy to adopt rules of management and finance similar to other forms of enterprises in the private sector.

In view of its role as lawmaker, the State should ensure that:

- the process of monitoring the application of legal standards is that of **self-regulation** as far as possible;
- the process of self-regulation is open, transparent and subject to relevant state scrutiny;
- the right of access to judicial authority in the event of grievances relating to self-regulation is guaranteed.

About the provision of assistance by the State to co-operatives, there is no need to recall that co-operatives should strive for self-sufficiency and self-reliance. Thus, if assistance is required by co-operatives, it should first be sought through the co-operative movement. Where such aid cannot be provided by the co-operative movement, it may be sought from the State, public bodies or private institutions on a basis that maintains the autonomy of the recipient co-operatives.

Finally, the government should be aware of the innovative potential of co-operatives and should extend the legal framework for co-operatives so that the evolution of new forms of co-operatives is not inhibited.

In having in mind these elements characterizing the normal attitude and role of the State against co-operatives, nine key areas may affect directly - positively or negatively - the co-operative development.

The first key area is the **formulation of general policies on co-operative development**. It is necessary that clear, consistent and realistic policies on co-operative development are formulated by governments. If these are not clear and consistent, they are likely to be misinterpreted by different government departments and bodies, and this, in turn, can lead to the manipulation of co-operatives for political or other purposes. Moreover, if policies are not well-defined and realistic, they can also be misinterpreted by the community which may result in the community's unrealistic expectations of co-operatives and their potential. Co-operatives must cease to be used as instruments of the government, they must operate freely according to the wishes of their members and within the framework of well-defined objectives and policies.

The second area which needs to be reviewed is co-operative legislation. Co-operative legislation must reflect the changing social, political, and economic needs of time and place, and should help safeguard the sanctity of basic values, ideology and spirit of co-operation. There is therefore a need to continuously review the impact of co-operative legislation on the character, efficiency and effectiveness of co-operatives, and whenever necessary, introduce suitable changes. This will ensure that co-operative laws do not become a hindrance to the growth and development of co-operatives.

The third area that should be reviewed in order to create a favourable climate and conditions for co-operative development, concerns **the promotional strategies and supervisory authorities of co-operatives**. Governments in many developing countries of the region have, in the past, been responsible for the promotional, supervisory and control functions of co-operatives through their co-operative development administrations. This has caused a number of problems due to the fact that when the co-operatives no longer have control over their management and activities, they become totally dependent on the government. It is also apparent that, as a result of the increasing complexity and specialization of co-operative business and operations in many countries in the region, government departments are not necessarily competent to second staff to managerial positions within co-operatives, nor to carry out their supervisory and promotional role.

Co-operative apex-level federations should be called upon to take on these responsibilities, as is the case in countries like Japan, the Republic of Korea, and some types of co-operatives in India, to continue until such federations can be established. Where there are no federal organisations, the co-operative development administration will have to continue until such federations can be established.

The fourth area is **co-operative audit**. Co-operative audit enables members to control and review the performance of their co-operatives. However, contrary to prudent business principles, audits are not carried out annually in most of the countries in the region. Problems range from lack of standardized auditing procedures and adequately trained staff, to insufficient co-operative funds to finance the auditing services. The development of proper auditing procedures and appropriate institutional structures and networks of public and co-operative auditors is necessary if the statutory requirements of audits are to be effectively met.

The fifth area is **Co-operative Management Consultancy (CMC) Services**. The concept of CMC's services, as already mentioned when speaking about job creation by co-operatives, is needed in today's situation where co-operative business activities and operations are becoming gradually more complex. CMC services are also required by primary co-operatives even though these may not see the immediate need for such services. The fact remains that co-operative development administrations cannot in the long run continue to provide appropriate CMC services as they have aspired to do in the past.

Furthermore, for CMC services to function satisfactorily, they must be offered as an integral part of the services offered to co-operative development or business activities. The place of CMC services in the overall plans for co-operative development must also be clearly defined. The financing of CMC services will probably remain the most critical issue unless a long-term commitment is made by external agencies to finance CMC services. Such financing will remain necessary until co-operatives become self-reliant and viable.

The sixth area which was already reviewed is **human resource development (HRD)**, considering that it is vital for successful co-operative development.

The seventh important area to be looked into is the **granting of privileges and concessions to co-operatives**. Many co-operatives have become dependent on the preferential treatment afforded them in the past by governments. Their self-reliance and viability have subsequently become more difficult to attain. However, certain types of concessions, for example, tax exemptions on transactions between co-operatives and their members, should continue. But concessions and privileges granted to co-operative for performing unviable activities on behalf of the government, without enabling them to accumulate capital, are a great burden on co-operatives. In general, co-operatives should compete on equal terms with other enterprises and not receive preferential treatment unless absolutely necessary.

The eighth area is **savings, credit and banking structures**. Co-operatives carrying out savings,

credit and banking functions have enormous growth potential and need to be supported. All co-operatives in the region should promote the development of such structures which are strong and viable, and capable of providing all types of credit and banking facilities. Without such structures, it is unlikely that co-operatives can ever become self-reliant or play a major role in the economies of their respective countries. Linked to this issue is the question of the capital requirements of co-operatives. The mobilization of savings and deposits and raising members' equity by providing suitable incentives are the two choices which can and should help co-operatives strengthen their capital base. At the same time it will be necessary for governments to encourage the development of integrated co-operative savings, insurance and banking structures, and the setting up of specialized co-operative development and financing agencies, in order to meet the credit and capital needs of co-operatives and their members.

Finally, there is the issue of co-operatives created by **special target groups**. More emphasis is needed on the organization of these types of co-operatives in order to confirm the social relevance of co-operatives in the socio-economic development processes of the region. These special target groups encompass less-privileged sections of society, for example, the poor women, youth, the handicapped, artisans and fishermen, indigenous people, etc.

The ILO is already engaged through its **COOPREFORM** inter-regional programme (see annex) to help technically the government and co-operative organizations in close co-operation with ICA to formulate or revise co-operative development policies and legislation to encourage the setting up of a favourable climate for co-operatives in the new socio-economic and political environment which prevail in Asia and in the Pacific as in the other regions of the world.

The ILO is interested to continue to help in this formulation process at the request of those concerned and within the limit of its available resources.

Moreover, we think that there is a **need for an updated international standard on co-operatives**.

Over the year, ILO Recommendation 127 on co-operatives (developing countries) adopted in 1966 (the text available upon request) had served its purposes well. However, in view of the changes taking place globally. Time has come to revise it and address it to all countries which are members of the ILO in a concise and simple manner.

It is commonly recognized that the ILO Recommendation No.127 had contributed significantly to co-operative development in the developing countries. However, the text of the Recommendation should be revised in the light of changes in the democratization, structural adjustments and employment. In particular should the Recommendation be addressed to all countries because all countries should create an environment which is conducive to the development of cooperatives able to survive as private enterprises: without state intervention and with abusing them as instruments to implement macro-economic goals. However, such cooperative developments are only possible if the human resources or the human capital of all groups concerned is well prepared to participate in and contribute to these developments.

This new international instrument should be addressed to governments and cooperative movements as well as workers and employers organizations and the general public in all countries. International organizations and institutions relevant for cooperative development should also be interested. The Recommendation should emphasize the social dimensions such as employment promotion, equal education, training and employment opportunities for women and youth and protection of the environment.

Information Note on The ILO Inter-Regional Programme to Promote Co-operatives in the Rural Areas

This programme, conceived by the ILO Co-operative Branch, is implemented since 1994 on DANIDA main funding. It attracts new financial contributions from other donor countries, from NGOs and from co-operative organizations.

The main purpose of this programme is to promote the establishment of co-operatives in rural areas as participatory business enterprises contributing to self-employment, income generation, human resources development and social progress. This objective requires co-operative movements themselves to promote democratic and efficient co-operatives capable of providing competitive services to their members while making a substantial contribution to rural development.

Co-operative development in rural areas is of special importance to the processes of privatisation, democratisation and structural adjustment. Until recent times, rural and co-operative development was overly dependent upon state finance and direction. However, due to budgetary restrictions and structural adjustment the state has been obliged to reduce and even withdraw its involvement. The private sector has often not the capacity or the will to fill the gap and to render the services from which the public sector has withdrawn. Being forced to take over these services for their members, the co-operative movements have acquired greater independence and importance in economic activities. Thus, there is a growing trend in many developing countries to the de-officialisation of co-operative movements and the replacement of public services by private group initiatives and participatory organisations. Moreover, co-operative development in the rural sector is increasingly linked to issues such as gender, environmental protection and poverty alleviation.

The development of rural co-operatives in the ILO/DANIDA programme is based upon the provision of technical assistance and consultancy services to co-operative movements in the ILO member states. These consultancy services include:

- the reform of co-operative apex structures and the protection of co-operative assets and investments in order to facilitate their role in privatisation;
- the strengthening of the role and capacity of co-operatives in rural development programmes;
- the reform of functions and limitation of the jurisdiction of governmental support and extension services to accelerate the process of de-officialisation;
- the improvement of rural technical extension services to upgrade producers' productivity;
- the development of human resources, to upgrade the management of rural co-operatives and increase the participation of members;
- environmental protection to improve the management of the rural resource base;
- gender issues and training to enhance economic and social opportunities for rural women and their families.

The sub-programme to support the self-reliance of indigenous and tribal communities as well as

landless groups through co-operatives and co-operative-type self-help organisations (INDISCO) have considerable impact on employment and income generation while safeguarding traditional working and social structures. The livelihood base for indigenous and tribal people is mainly agriculture, forestry and cottage industry. The land available is usually of low quality and deteriorating due to erosion and deforestation.

An ILO survey on tribal communities has found that most efforts to promote co-operatives have been state sponsored and have not taken due consideration of traditional social and economic structures. Therefore, this programme aims at identifying and encouraging local community structures to establish co-operatives through the use of participatory methods and tribal extension workers. The programme provides advisory services for the training of local extension workers in co-operative membership education and training, organizational structure, environmental and gender issues as well as guidance in the identification, design and monitoring of local co-operative pilot projects. These are administered and financed by the tribal communities and the existing support structures (NGOs and governmental institutions) themselves.

The sub-programme works in close coordination with other programmes of the ILO on behalf of tribal indigenous communities and is to support the application of the Indigenous and Tribal Peoples' Convention No.169.

Co-operative pilot-projects and surveys are implemented in India and the Philippines and will be extended in other Asian countries such as Vietnam. Linkages are made to the experience gained from co-operative ILO projects for indigenous communities in the Sahelian countries of Africa and Central America which have succeeded in having local communities establish independent, democratic and economically successful co-operative enterprises in the agricultural, forestry and cottage industry sectors.