



INTERNATIONAL CO-OPERATIVE ALLIANCE
ALLIANCE COOPERATIVE INTERNATIONALE

MEMO

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TO: Mr. J.D. Pacheco
Director, ROCAC

↗ Mr. G.K. Sharma
Director, ROAP

FROM: MariaElena Chavez-P *MEC*
UN / Development Liaison Officer

REF: General Information

1. UN Secretary-General Report (2nd draft)

Also attached for your information is a copy of the UN Secretary-General's report on co-operatives, "Status and Role of Co-operatives in the Light of New Economic and Social Trends". This report is being prepared by COPAC in collaboration with the UN Centre for Social Development and Humanitarian Affairs (Vienna). The information contained is based on responses to a questionnaire sent to UN member states. The enclosed copy is a second draft and will be the basis for the UN's first draft of the report. If you have any comments on the report, please let us know so that they can be forwarded accordingly.

2. ~~Women and Environment~~

~~We were recently informed that a new publication has been issued as part of the "Women and World Development" series entitled as above. Attached is a short description of the publication for you information.~~

With regards,

SECOND DRAFT

**STATUS AND ROLE OF COOPERATIVES
IN THE LIGHT OF
NEW ECONOMIC AND SOCIAL TRENDS**

OCTOBER 1991

SECOND DRAFT

STATUS AND ROLE OF COOPERATIVES
IN THE LIGHT OF NEW ECONOMIC AND SOCIAL TRENDS

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SECOND DRAFT

STATUS AND ROLE OF COOPERATIVES
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I. INTRODUCTION

Background

At its 78th Plenary Meeting, held on 8 December, 1989, the United Nations General Assembly commended the report of the Secretary-General on national experience in promoting the cooperative movement (Document A/44/79-E/1989/8), and requested him to prepare a report on the status and role of cooperatives in the light of new economic and social trends, to be presented through the Economic and Social Council to the General Assembly at its forty-seventh session.¹

A New Focus

This represents a new focus on cooperatives by United Nations. In the preamble to the resolution, it was noted that cooperatives "are becoming an indispensable factor of economic and social development in all countries", and reference was made to the contribution cooperatives are called upon to make to the implementation of the Guiding Principles for Developmental Social Welfare Policies and Programmes in the Near Future, and finally, to the "recent widespread reassessment by Governments of the status of cooperatives and their role in enhancing economic and social development".

¹ See General Assembly - Forty-fourth Session, United Nations, New York, 1989.

Role of COPAC

For a number of years, the regular reports of the Secretary-General of United Nations on National Experience in Promoting the Cooperative Movement have been prepared partially on the basis of replies made by member governments to a note verbale, but also on the information contributed by the seven organisations forming COPAC and by the COPAC Secretariat.²

Basically, this means that six of COPAC's member organisations help the seventh - United Nations - by having their Secretariat produce a wide-ranging and comprehensive study, so that the preparation by UN of the Secretary General's report will be based on information which is as full as possible, coming from governments, cooperative movements, international banks, trade unions, and others.

Each of the organisational members of the Committee constitutes, in itself, an international network. The Rome-based Secretariat of the Committee acts as general information collection centre and producer of the background study, while United Nations Office at Vienna (CSDHA) is responsible for the collection of data through a questionnaire addressed to member governments, and for the preparation of the Secretary General's report.

Methodology

(a) Collection of information

The collection of data is carried out according to the following sequence of activities. First, on the basis of discussions by UN and other COPAC members, research guidelines and a questionnaire were designed to cover all the questions raised in the new approach indicated by UN, including: the role of cooperatives in relation to the Guiding Principles for Developmental Social Welfare Policies and Programmes in the Near Future, practical evidence and examples of the reassessment by Governments of the status of cooperatives and their role in enhancing economic and social development, information about the role of cooperatives in structural readjustment programmes, and other items. Next, UN prepared and sent out to member States a comprehensive questionnaire accompanied by a note verbale requesting their contributions. The COPAC Secretariat also circularized a number of organisations to request their inputs in response to the questionnaire. COPAC members carried out separate and complementary activities with respect to their affiliates and

² See, for example, the acknowledgements made in this respect in paragraphs 2, 3 and 4 of the last of these reports (A/44/79/E/1989/8, dated 20 January, 1989). See also the document "What is COPAC" in the annexes to this study.

project offices around the world, and are submitting their information to the Secretariat.

Following this, the COPAC Secretariat consolidates information received from members in a single draft, and circularises the draft amongst members. Organisation of a special COPAC meeting session (in conjunction with a regular meeting to minimize cost) with the aim of collecting amendments, modifications, improvements, additional research proposals, etc., was carried out on 25 October, 1991, in Vienna.

(b) Analytical framework

In order to produce the first draft study by the deadline of end August, 1991, (two weeks before the COPAC Meeting in Vienna on 25/26 September), it was necessary to set up an analytical framework before the arrival of responses from the questionnaires, and to prepare the first draft without the benefit of these responses. In spite of this, a considerable amount of valuable data had been collected from earlier requests for information addressed to a large number of correspondents.

The expository and analytical framework selected is very simple; it derives from the title of the report requested of the Secretary General. It starts with an introductory overview of cooperatives and similar institutions, including a brief analysis of their origins and subsequent evolution. This provides an orientation for the more detailed accounts of developments in different areas of the world. Following this comes the identification of a number of important changes and trends affecting different countries and areas of the world in different ways.

Trends are then grouped together with the countries in which they have most impact, and the recent development of cooperatives is then dealt with according to country groupings.

The status and role of cooperatives are then examined carefully. Status is considered in its constitutional, legal, fiscal, and official policy aspects, as well as in actual practice, at national and local levels; also in terms of the image of cooperatives in the eye of the public, the government, private business, trade unions, and other entities. The role of cooperatives is then considered in relation to the solution of problems implied in the changes and trends, and to the reinforcement of positive trends. Positive is defined from a specific point of view: that which is best for the largest number of people, that which defends the weak against injustice, and which accords with the basic values of cooperation which the International Cooperative Alliance is currently elaborating.

The present document (the second draft) retains the same analytical framework, but is informed with responses from more than 30 countries and 11 international organisations (see annex I). A third and final draft will be prepared as more replies come in and are entered into the system.

Coverage

This study covers all kinds of cooperatives on a worldwide basis. This of course includes cooperatives in the developed and developing countries. In the latter, the special case of cooperatives in the development process, and the official promotion of cooperatives as instruments of development are dealt with.

In addition, some recent trends both external to and within the cooperative world have led to a broadening of the concept of cooperation, to a consideration of what is essential and common to all types of cooperatives and also to similar institutions. Therefore, while this study focusses on cooperatives as such, it also takes into consideration cooperative-type organisations, and broader concepts and processes such as people's participation, the common ownership movement and the "social economy" which includes cooperatives, mutual societies, and associations.

In comparison with other periods of recent history, the last few years have been characterised by more, and more profound, changes. Some of these may be trends, and will continue in the same direction indefinitely. Other changes may be cancelled and reversed, making them seem afterwards unqualified to be termed trends. Some changes and trends appear as crises reached in certain processes which in previous decades had not appeared to be heading for crisis. Cumulatively, the changes which have been and are taking place may amount to a "watershed", in which the end of one era and the beginning of another can be distinguished.

Based on these considerations, it has seemed advisable to look not only at what may be termed trends, but also at events and changes which may not turn out to be trends, since reversals are often possible. As a result, the word "trend" in the title and the body of this study is interpreted very broadly to include events and changes which may or may not turn out to be trends in the long term, but which certainly affect cooperatives and similar institutions in the short term.

In addition, it is observed that a specific trend, event or change frequently brings about a counter-trend. This is particularly important in studying cooperatives and similar institutions, since they themselves were and still are frequently brought into being as a counter-trend, defending their members against threatening trends.

There is no one single trend affecting cooperatives in a similar way everywhere; rather, there are a number of very variegated changes affecting cooperatives in different countries and world regions in different ways. Moreover, cooperatives themselves, even within the same country or region, are of so many types, operating in different economic sectors and having different memberships, that the same trend will affect some cooperatives one way, others another.

Changes and trends in general may, to some extent, be grouped meaningfully according to groupings of countries sharing some important characteristics. Thus, for example, there is a set of trends recognisably affecting cooperatives of different types in the countries of East and Central Europe in particular, another set corresponds to the developing countries, and yet another to cooperatives in the process of European integration.

The title of the study indicates both economic and social trends. In practice, these are inextricably linked and it is often hard to determine whether the social or economic aspect of a particular phenomenon is predominant. For this reason, changes and trends of both types are covered without too much distinction between the social or economic. Some important events affecting areas of the world (for example, wars, changes in the ideological orientation of national regimes, natural disasters, etc.) are almost impossible to classify as social or economic in themselves. Nevertheless, they have very important social and economic effects, and are therefore taken into consideration in the study. In fact, the term "new economic and social trends" is taken to mean all recent events, changes and trends which have important economic and/or social effects.

It is a challenging task to determine what is the relationship between various changes and trends observed, and in particular to set them out in a clear way which shows which is the major trend, and which are derivative trends. To give an example: many cooperative spokesmen identify globalisation of markets as an important trend. Globalisation of markets is related to other trends, such as the integration of Western Europe, the probable development of a North American free trade area, the disappearance of the Wall, the reunification of Germany and the prospective opening up of Eastern European markets, the challenging position of Japan in technology and exports, and others. It is very difficult to set out these trends in a definite hierarchy of cause and effect. An attempt has been made to highlight the principal trends, and to then explore their ramifications in terms of their effects.

It is observed that most trends identified are external to cooperatives, in the sense that they affect countries or regions, or specific sectors of the economy or the population in a general way. Cooperatives are affected by these trends, along with all

kinds of other enterprises. They may be affected in a similar way to other players, or in a different way; new cooperatives may even be called into being as a reaction to certain trends. However, these trends are essentially external to cooperatives. In identifying external trends, a viewpoint external to the cooperative world has been chosen in order to avoid too narrow a focus. Major trends as described in more general literature are identified. This broad picture is then supplemented by the consideration of trends as experienced and reported by cooperatives and government agencies concerned with cooperatives.

On the other hand, and no doubt stimulated by the quantity and quality of recent changes, there has been an extraordinary amount of new thinking and new initiatives within the world of cooperatives and similar institutions, including centres of research and cooperative development organisations. This new thinking constitutes an internal trend, or a collection of internal trends, of great potential importance for the future, not only of cooperatives themselves, but of the whole social and economic development of certain areas.

II. AN OVERVIEW OF COOPERATIVES AND SIMILAR INSTITUTIONS

Definition of a Cooperative

A widely used definition of a cooperative is given in Recommendation No.127 of the International Labour Office, passed by the International Labour Conference in 1966. It defines a cooperative as:

"an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate"

The pioneers of Rochdale (England, 1844) are famous for having clearly defined the basic principles of cooperative enterprise, and these, with some modifications, are still operative as the principles recognised by the ICA (International Cooperative Alliance). The principles are:

- voluntary membership, with no political or religious discrimination;
- one member - one vote, irrespective of capital contributions;
- limited interest on share capital;
- distribution to members of surplus (profit) from operations (after provisions for reserves and common services) in proportion to their transactions with the enterprise;
- provision for education of members, and
- cooperation with other cooperatives.

Different Kinds of Cooperative

There are so many different kinds of cooperative that people may talk about the subject without having the same thing in mind. It is, therefore, useful to have a typology of cooperatives. This helps to clarify the confusion sometimes caused by variously describing cooperatives in accordance with their economic function or the occupation of their members, or some other criterion.

The first basic classification may be made according to whether the members of the cooperative participate in the enterprise as clients or as workers. Three groups of persons may be identified in any business enterprise: the owners, the workers, and the clients. (The group "clients" subsumes both suppliers to the enterprise and purchasers from it). Economically, these three groups may be said to be opposed to each other, since, if one group increases its economic benefit from the enterprise, there will normally be less for the others. The two formulas pioneered by cooperators combine two of the functions in the same group of persons (worker/owners, or client/owners), and thus reduce the basic interest groups in the enterprise from three to two.

Following this basic classification of all cooperatives into two types, each may then be classified according to the identity of the members, and finally by the major economic function or functions it carries out.

In the world as a whole, cooperatives owned by the clients of the enterprise are by far the most numerous. Worker-owned cooperatives are less common, though of at least equal importance, and growing in numbers in many places.

Recently, there has been some new thinking about cooperatives, exemplified by the concept of "people-centred enterprises" which the Plunkett Foundation has made known. Rather than stressing the principles which set cooperatives apart from all other types of corporation (for example, one man, one vote, and limited interest on capital), the new trend is to point to what is essential in the cooperative: the fact that the people associated with the enterprise are "multi-stakeholders": that is, they have a stake as clients using the services of the enterprise, and they have a stake as owners. Or, they have a stake as the employees or workers in the enterprise, and they simultaneously have a stake as owners. In both cases, the enterprise is established for people, and by people. While capital is of course necessary to start and maintain operations, it plays a subsidiary role, since it is invested not for direct return, but only to facilitate the establishment of the enterprise. It is a people-centred enterprise, as distinct from a capital-centred enterprise.

Origins, Values and Evolution of Cooperatives

Origins

New economic and social trends and the status and role of cooperatives with regard to them cannot be fully understood or appreciated without at least a glance at the historical background.

The historical origins of modern cooperatives and similar organisations are numerous, and they occur in many different

countries. We may therefore see the common aspects of these origins, as well as how they differ, in order to penetrate the present-day situation more profoundly.

The determining framework in these origins is the environment in which the ordinary people of the world carry out their economic and social activities. When there is great and generalised economic hardship, that which is best in human nature looks for constructive solutions in a spirit of inventive solidarity. This may be endogenous, as with the famous Pioneers of Rochdale, or, more commonly, exogenous, as with the great movements founded by the vision and work of dedicated men such as Raiffeisen, Desjardins, Arizmendi, Schultze Delitsch, Filene, Mithat Pasa, Luzzatti, Gebhard, Plunkett, and others.

Modern cooperation was born in Europe as a defence against the hardships of the nineteenth century affecting large sectors of the population. The background trends were first observed in England, the forerunner of similar changes in other countries of Europe, and they included an agrarian revolution involving rack-renting, enclosure of common lands, evictions, rural depopulation, and urbanisation and an industrial revolution involving inhuman working conditions at miserable wages in factories and mines by men, women and children. There was a polarisation of society between rich and poor.

An interesting analysis of the status and role of cooperatives in the modern market economy is given by Dr. Kaj Ilmonen³, who identifies three basic elements in the core of modern capitalist nations: the state, civil society, and the economy. Each of these strives to dominate, and they serve as tools for controlling each other. "The economy has always tried to use the State to obtain advantages over the economies of foreign nation-states and its own national civil society. The state has historically reacted in the same way in respect to the economy and civil society...The capitalist economy has a strong tendency to create inequalities within civil society. To avoid these, collective movements can try to use the state as a counterbalancing power, a re-distributor of wealth. These movements have also been able to force state organs to pass laws regulating the commodity and labour markets."

The people who formed the early cooperatives included artisans oppressed by the truck system who formed the first consumer stores, poor rural dwellers, beneficiaries of a bread fund, who set up savings and credit societies which then moved into supply of farm requirements and agricultural produce marketing, and small retailers and craftsmen who set up their own purchasing cooperatives.

These movements are successful partly because of the laws of economics concerning economies of scale in the market. There is economic strength in unity, but that unity and solidarity is not so forthcoming in times of plenty; it is a positive and courageous human reaction to a common challenge. The realisation in practice of the power of solidarity, with all the sacrifices, struggles and inevitable mistakes, is an exhilarating experience for the pioneers, and they are carried beyond the economic success to communicate their experience to others, and to aspire to a better way of life which would perpetuate the positive experience of working together. This gives rise to the principle of education, and this in turn largely accounts for the enormous spread of certain movements around the planet.

In all of these activities, there is a mobilisation of local resources. Financial resources are mobilised and created in various ways, either directly in the form of members' shares and savings deposits, or indirectly by the retention of trading surpluses created by new economies of scale, by the work of members and their foregoing a part of the rewards to capitalise, or by internal trade credit created by members waiting for settlement following delivery to the cooperative of goods and services. The universal fungibility of money gives the financial function of cooperatives a special importance, and financial cooperatives of various kinds are frequently the backbone of successful movements. In the nineteenth century, the extensive development in Germany, Austria, Italy, East and Central European countries, Turkey and even China of the Raiffeisen type of savings and credit cooperative with the flexibility of moving into bulk supply and marketing as required by members is one case in point.

Basic Values

It is clear from this that cooperators hold certain values in common. The particular cooperative enterprise its members set up is an attempt at expressing those values in the business world. They are human values, coming sometimes from the background of a religious culture, and sometimes from movements of a secular culture who wish to see a better world.

The basic values of cooperators are also ultimately beyond the "left-right" aspect of politics, (in spite of the fact that they are at times claimed as part of the ideology of left, right and centre), and this is evidenced in fact by the breadth of that particular spectrum to be found in the memberships of different types of cooperatives. Closely associated with the ideals of the workers' movement, but also enthusiastically supported by conservative farmers, sometimes founded by priests, recommended in the Qoran, cooperatives of all types constitute the common entrepreneurial form adopted by people of good will in reaction to powerful market forces negatively affecting their lives as individuals and as a community. It was the vision of the

universality of cooperative enterprise which no doubt motivated the Rochdale Pioneers to include the principle of political and religious neutrality. Perhaps it was the vision of our present indebtedness which inspired them to include the now obsolete principle of cash trading. In fact, it may be supposed that one of the elements of the future will be a return to the concept of thrift, and that cooperatives will be called upon to play a very important role in this.

Genuine cooperative movements have been and are being born since that time. The Mondragon movement is an example.

Evolution of Cooperatives

What was the destiny of these movements, and where do they stand today?

Most people agree that cooperatives go through a kind of metamorphosis as they become successful. Distinct and characteristic stages of development have been identified by specialists in the subject.⁴ They grow in volume of business, and need professional management. Members are less aware of the day-to-day affairs of their cooperative. The enterprise also moves to higher technology, requiring more specialists. It is caught up in the competition for survival with other, non-cooperative enterprises, and must adopt the methods of the market.

Market pressures and related technological changes in transport and communications, and in production, bring about a general trend towards larger units, and many well-established movements have for decades been involved in voluntary amalganations, so that the growth of many cooperative movements in the market, as well as in membership, is typically accompanied by declining numbers of ever-larger cooperatives.

When this happens, the cooperative inevitable loses its local character, and passes into another situation. This has been called the "trusteeship model" of cooperative enterprise, referring to the way in which the membership has entrusted their interest to a Board and Management. Participatuion of members in the annual general meetings may be hard to secure, and the cooperative is no longer an experience, but a service at a good price.

Growth and increasing technology requires capital, which is something of an Achilles' heel for all but financial cooperatives. Since unlucrative interest rates are a feature of cooperatives, members have no great financial incentive to invest in them, so that there is a danger of increasing reliance on outside capital, which can and sometimes does lead to a loss of members' ownership

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See, for example, the works of Dulfer, or Cote.

and control, and conversion to an investor-oriented corporation.

In times of dictatorship and war, cooperative movements have sometimes been forcibly repressed, and their assets taken over by illegal force.

This was the fate of the cooperatives in Russia after 1917. However, cooperatives were part of the official ideology, so they were set up, but because of the forced nature of the collectivisation and their subsequent Party management, they were pseudo-cooperatives which never attracted any enthusiasm from their members.

Another way of creating cooperatives was found in the mid-twentieth century: by benevolent official action at high level in government to encourage the people of a country to form their own cooperatives. This was first introduced in the colonial era, notably by the British in India and Africa. It was then taken over by independent nations, and is an important part of international assistance. Obviously, this is a situation with a different dynamic from the origins described, and it is little wonder that there are many problems with the cooperatives established in this way. Many of them are pseudo-cooperatives. However, there have been successes, too.

Background Trends

Having regard to the historical origins of cooperatives, it is possible to see in many of the background economic and social trends of today a repetition of some of the challenges posed by the industrial revolution to large masses of people in virtually every country of the world. Indeed, to a large extent, today's basic background trends are essentially the consequences of an exponential continuation in time of that same revolution, which has now taken on global proportions.

While there has been continuity in technological development, the industrial society which gave rise to the older cooperative movements, and which had very characteristic attitudes, has given way in many countries to a "post-industrial society" whose rising generation have a very different outlook from their parents and grandparents.

Throughout recent decades, technology has advanced in all fields, and this has made possible some of the trends, such as globalisation of markets, a trend reported as important by numerous cooperatives around the world. Here, computer and telecommunications developments, including satellite communications, have been essential components.

Improved technology has led to enormous increases in productivity. This has been associated with a long term trend

towards more capital-intensive methods of production in many sectors, and present rates of unemployment are not unrelated to this process.

Technological development may have had more of a negative effect on developing countries and their cooperatives than is generally realised, insofar as many of their export crops have been substituted by natural or synthetic substances: sugar, fibres, cotton and rubber are examples. Technology has made possible the emptying of the countrysides of many countries which have percentages below five of those occupied in rural and agricultural activities.

The century has been punctuated by wars and reconstruction, recession and boom. Economic growth and competition between enterprises during times of boom have both led to and been fuelled by the extension of credit. The economy, which is now getting global, has heated up excessively, so that there is now a realisation of the need to rein in, and encourage savings, and the mobilisation of savings.⁵ Replies from a majority of respondents indicate the important role that cooperatives of all types, but particularly savings and credit cooperatives and credit unions, can play in this process.

The energy requirements of the more industrialised countries, and of large cities, are currently being met mainly by non-renewable resources such as oil and gas, and by nuclear power. Oil-dependency and the fear of nuclear proliferation constitute severe problems which can lead to the militarisation of economies and even to war.

The disaster of Chernobyl, and other near-disasters, have set a trend in public opinion in many places away from reliance on nuclear power, and even towards doing without it until harmless fusion is achieved.

The discovery and exploitation of the North Sea and other new sources, and the increase in the price of oil in the 1970's brought a boom to a number of oil producing areas, and the flood of money exceeding the absorptive capacity of the large-scale, low-cost oil producers was invested in numerous projects all around the world, not all of which were sound, causing a general boom in the 1970's, but leading to the huge problems of indebtedness and recession in the late 1980's and 1990's.

Many other trends associated with the environment pose problems: pollution, ozone depletion, pesticides and others.

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See the discussions of the October 1991 meeting of the G7 and the World Bank and IMF in Bangkok.

These trends usually involve very large scale international players, remote unilateral entities, multinationals and others, the antithesis of the "people-centred" essence of cooperatives and similar institutions. They pose a challenge: in the long term, to find and develop alternative energy sources which can be harmlessly developed and used by ordinary people and their institutions, and in the short term to take measures whereby the actual pollution from present energy sources is minimised.

There is evidence that cooperatives in many countries feel a special sense of responsibility for protecting and improving the environment. This was an important theme at the 1990 Madrid Central Committee Meeting of the ICA, and it was also emphasized by the Canadian cooperatives at the CCA Triennial Congress held in Calgary in 1991. Most respondents to the enquiry indicated cooperatives as being particularly concerned with environmental and ecological questions.

The last thirty years have seen a shift in the location of many kinds of industry away from their original dominance in Europe and North America to new locations, particularly in Asia, where the development of Japan's technology is a remarkable case in point. This has had profound effects on the populations of those countries from which industry has been displaced, as well as on newly industrialising countries. Again, the players in this process of relocation are remote entities. Unemployment caused by this shifting of industry has often been mitigated by the formation of cooperatives.

Cooperatives and "Cooperative-type" Organisations

Cooperatives may be registered as such, registered as companies, or not registered, in which case they have no legal personality, but may nevertheless function informally.

Depending upon what is considered essential in the definition of a cooperative, it is possible to consider other "multi-stake holder" institutions as "cooperative-type" organisations.

Within the international cooperative movement, there are advocates of extending membership of client-owned cooperatives (such as, for example, agricultural produce marketing cooperatives) to include the workers in the cooperative as well as the farmers owning it.

Outside the cooperative movement, but similar in some ways to worker-owned cooperatives is the common ownership movement, another form of multi-stake holding in which employees own stock in the companies in which they work. Employee ownership is well established in the United States, where about 11.5 million employees in 10,000 companies participate. Employee ownership is

also found in England, Ireland, Egypt, the Philippines, South Africa, Costa Rica, Argentina, Japan and Australia.⁶ It is being considered as a major alternative in Eastern Europe.

Related to cooperatives again is the general notion of "people's participation", or "popular participation". The FAO has produced a Plan of Action for People's Participation, and the World Bank is taking steps to study the possibilities of greater participation by end-users in some of its development projects in the developing countries.

Parallel to, and in reaction against, the large-scale, impersonal globalisation processes of the multinational conglomerates, it is plausible to expect, there is an increasing concern with people's participation, and with the role of cooperatives and similar multi-stake holder enterprises as a way of maintaining local control over economic affairs. Such an increase in concern for the essential element in all these types of enterprise should cause them to minimise their differences and come together in convergence to protect multi-stakeholders.

If one of the essential things about a cooperative is its being a "people oriented" enterprise in which those who use the enterprise's services and/or those who work in it are the owners, or stake-holders, then it may be justified to use a wider definition, or to anticipate a conceptual convergence in which the notion of the multi-stake holder is dominant, thus bringing together formal cooperatives and cooperative-type institutions, including some common ownership enterprises into the category of people-oriented, multi-stake holder enterprises.

The essence of this type of enterprise is the combining of local knowledge and interest with ownership and control, and it possesses a dynamic which is different from that of a joint stock company whose operations are carried out with the aim of securing a good return on capital invested by stake-holders usually remote from the enterprise and its operations.

Cooperatives are economic and social institutions

Cooperatives may be more affected by, and involved in, new trends than other institutions, because they are not only business enterprises, and as such affected by economic conditions; they are also social institutions: associations of persons and families and very small business people of modest means (the less privileged, in general) who have decided to form an enterprise with special

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"International Developments in Employee Ownership" National Center for Employee Ownership, Oakland, California, 1991.

rules to make it "people-centred" rather than capital-centred.

Cooperatives are both passive in experiencing as businesses and as associations the effects of the recent changes in the two fields, and they may also be actors, reacting to negative effects and creating beneficial counter-effects of their own in society. They may be said in principle to be more likely to do this than capital-centred enterprise, because they act in the interests of broader population groups.

III. MAJOR RECENT ECONOMIC AND SOCIAL CHANGES AND TRENDS

TRENDS EXTERNAL TO COOPERATIVES

Some background trends have already been mentioned. Against the general background outlined, a new situation has developed, and is still in a process of evolution. Below, some of the major new trends are identified. Most of them are included in the enquiry, and respondents have indicated their impact on cooperatives.

Indebtedness

Unprecedentedly high levels of indebtedness are noted throughout the world. In the developing countries, the most severe problem is that of external debt. In many of the richer countries the levels of public internal debt are higher than ever recorded. Quite large percentages of government revenue now have to be spent on servicing national debts, and the bailout of banks is an additional item of increased importance in recent budgets.

Total external debt for the 111 developing countries reporting to the World Bank Debtor Reporting System (DRS) was projected at \$1,166 billion for 1989, about double the 1980 figure of \$572 billion. Most of the external debt totals are made up of long-term debt, for which 1970 figures are available. In 1970, total long-term debt for all reporting countries was \$63 billion. Ten years later, in 1980, this had increased nearly sevenfold, to \$428 billion. The projected figure for 1989 is \$995 billion.

Externally indebted developing countries are subject to drastic measures of structural readjustment. Large numbers of people who were previously employed in the public and formal sector now find themselves unemployed; official services are disintegrating, and the informal sector is growing. Farmers are retreating to subsistence production in the face of declining prices for commodities and closed markets.

In some countries, for example, Egypt, certain structural adjustment measures are perceived as of positive benefit for cooperative development. Deregulation, privatisation, disengagement of government from direct involvement with cooperatives, and proposed new legislation to strengthen the cooperatives' independence are welcomed by the cooperatives. Other countries see structural adjustment in a negative light for cooperatives.

Globalisation

One of the trends frequently mentioned in discussions in the cooperative movements of the richer countries is globalisation: the tendency for local, regional, and national markets to be opened up to the international market, and for the most powerful actors in the market to "go global".

Globalisation has a number of implications for larger cooperatives in the developed countries, including the removal of agricultural subsidies, the strong competition offered by large businesses, the need to integrate horizontally and vertically to achieve required market size, and the capital requirements for this and for investment in technology, especially computerisation.

An important part of globalisation is the development of national and international financial markets, including the extension of credit and the mobilisation of savings. The 1991 Bangkok talks of the G7 and the IMF and World Bank have stressed the need for mobilising world savings. Financial cooperatives are amongst those growing fastest in the world generally. They are therefore given a special section in the chapter on the Status and Role of Cooperatives.

Concentration of Enterprises

Recent decades have witnessed a constant growth in the size of large enterprises, by processes of management development, horizontal and vertical integration, development of financial institutions, takeovers, amalgamations and mergers.

This has polarised some markets to such an extent that it is necessary for a business enterprise to have a certain size in order to exist at all in some areas.

Many large cooperatives in the industrialised countries where cooperatives have been established for a long time are very much affected by this trend.

Polarisation

The trends outlined are associated with another: polarisation. A process of polarisation between rich and poor, haves and have-nots is observed in many countries, developed and developing. The division is also international, between "north" and "south".

In view of the policies and programmes of development assistance launched four decades ago, this trend is the opposite of what was intended, and indicates that some mistakes have been made.

There is a kind of polarisation, too, in business enterprises, between remote capital-centred giants and democratically run people-centred enterprises, including cooperatives.

Transition from Socialist Central Planning to Market Orientation

In many countries, including the Soviet Union, East and Central European countries and a number of developing countries, centralised planning and control of the economy by government and party have shown their long-run incapacity to achieve economic efficiency and social welfare of the people. As a result, processes have been set in motion towards a market orientation of such economies. This is a complex process still being tested, and it is not yet known what kind of economy or economies will eventually develop in these countries. It is certain that such economies will change in a market oriented direction, but the eventual outcome is not at all guaranteed to be identical to market economies in Western countries.

The enormous restructuring of the previously centrally-planned economies which is being demanded comes just at a time when most of the richer countries are experiencing debt, recession and unemployment. This means that their resources for development are scarcer than before, with a sudden increase in demand. The developing countries are understandably concerned that any available resources will now be rechannelled towards the PCPE's, leaving the developing countries with a much lower level of support for their economies. There are hopes for a much needed "peace dividend" which could release resources for reducing indebtedness and for helping develop the new markets which are opening up, as well as avoid a retreat from investment and assistance in the developing countries.

Realignment of global blocks

One of the most significant and far-reaching trends has been the breakdown of the ideological and military dualism between two major global blocks. Ever since the end of the Second World War, this dualism dominated the world, affecting virtually all countries in one way or another, including the developing countries.

It is, of course, too early to say how things will develop, but it seems likely that relations of collaboration between the previously hostile blocks will continue. At the same time, a system of economic blocks may be emerging. North America and

⁷ See, for example, "From Centrally Planned to Market Economies: the Road from CPE to PCPE" by Guillermo A. Calvo and Jacob A. Frenkel, IMF working Paper, Washington, D.C., U.S.A., 1991

Mexico are considering the formation of a Free Trade Area, while the integration of Western Europe is nearly complete, and the Pacific Basin, led by Japan, a net creditor nation, shows signs of constituting a third important economic block. The changes in Eastern Europe will alter the picture for the integration of Europe, since Eastern European countries will probably wish to enter together with their neighbours. Removal of the military aspects of the previous dualism also affects the future of certain crucial regions, notably the Middle East, where the Gulf war events have already changed the balance in relations.

Integration and Disintegration

Two contrary trends are simultaneously at work in different parts of the world. On one hand, there is globalisation of markets and economic integration, with Western Europe, North America and Mexico and the Southern cone of South America moving into integrated markets.

On the other hand, reform in the Soviet Union (ultimately a move towards globalisation by means of entry into the world market) has triggered off numerous demands for local regional and national autonomy, and the Soviet Union and COMECON appear to be disintegrating, while the regional components of Yugoslavia are asserting their demands for autonomy, bringing about conditions of civil war. In many places there is a resurgence of demands that local and national ethnical, cultural and religious values and rights be maintained and protected. Frequently this tendency runs counter to the overall process of globalisation. For example, Spain's entry into the European Common Market was accompanied by the establishment within the country of a number of new decentralised authorities (autonomias), and sometimes by calls for more autonomy.

Aging of Populations

While the global population in the '80's was characterised by United Nations as "young", with 35% of all persons aged 0-14, and 8.5% aged 60 and over, projections for 2025 show only 25% in the 0-14 age group, and 14% in the over 60 group. In the richer countries, the older population will surpass that of the young (20% and 23% respectively), while in the poorer countries the percentages will be 26% and 12% respectively. In short, the whole world is aging, and the developed world is further ahead in the process.

The main reason for all this is fertility change. A United Nations Study⁸ states: "--Declining fertility is in fact the most influential factor in the population aging process, with decreases in mortality playing a secondary role. ... Every country whose fertility falls over a long period thus becomes older. From another perspective, the aging of populations may be considered an ultimate, though often un-anticipated consequence of birth control campaigns undertaken in response to rapid rates of population growth."

Role of Women

An important social trend in recent years, and one which is continuing, is the change in the status of women in many countries, particularly the more developed ones. Women are now engaged in economic activities and employment on a far greater scale than in the past, and their conditions of work and remuneration are in many cases equal to those for men; where they are not, improvements are being introduced.

This phenomenon has profound effects, since it affects about half of adult populations, increasing the potential work force enormously, changing the social characteristics of the workplace and of society as a whole. Increased purchasing power of the female half of populations has influenced consumer markets. Family size and characteristics have also changed as women have taken more active roles outside the home.

While this trend represents a significant gain in social equity and justice, and also brings about a huge new contribution to society as a whole, both quantitatively and qualitatively, it is important to guard against the danger of a depression in the real level of wages making it an economic necessity for there to be two full time working incomes in order for a family to survive. Such a situation can make the birth and raising of children socially and economically problematical and lead to the aging and eventual decline of populations.

Migration

The role of migration in increasing the aging of certain populations is also noted. It is generally the younger people who leave their homes for better opportunities abroad. The current aging of the richer recipient countries also provides greater opportunity for immigrants, who may replace the shortage of youth to constitute a native work force in many activities.

Refugees

Wars, famine, repressive regimes and the disintegration of blocks also result in massive migration of refugees. This is now becoming acute in Europe, where an integrating system shares frontiers with a disintegrating one.

Political Changes in Africa and Latin America

In sub-Saharan Africa there have been a number of important changes in political leadership.⁹ Perhaps as a consequence of the dramatic events of 1989 in the countries of Eastern Europe, strong opposition to dictatorial regimes has been expressed, and many of these have fallen.

An increase in democracy is also noted in Latin America. Most of the dictatorial regimes of the 1980's have now been replaced by more democratic governments.

TRENDS WITHIN THE COOPERATIVE WORLD

New Thinking and Initiatives

There is evidence from various quarters that the question of cooperatives and people's participation in general is being discussed in terms which indicate that the end of an era has been reached, that new approaches are required, that a new look should be taken at cooperatives. A number of initiatives have been taken in this respect. These are briefly reviewed below.

FAO: Plan of Action for People's Participation in Rural Development

The FAO has prepared a Plan of Action for People's Participation in Rural Development. It was discussed by the Council in June, 1991, and is to be submitted to the Twenty-sixth Session of the FAO Conference in November, 1991. In fact, FAO has been active in promoting people's participation for a number of years, in line with the decisions of the 1979 World Conference of Agrarian Reform and Rural Development (WCARRD), which affirmed that "participation by the people in the institutions and systems which govern their lives is a basic human right and also essential for realignment of political power in favour of disadvantaged groups

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These important political changes are noted by Ugo Marchisio in an article "L'Africa ha voltato pagina: ce ne siamo accorti?" in *Volontari per lo Sviluppo*, Anno IX, June 1991, Turin. Details are given in the section of this study devoted to the developing countries.

and for social and economic development". FAO introduced participatory approaches in many of its field activities, and as of January, 1991, 145 participatory rural development projects with a value of about \$345 million were being implemented by FAO. However, while FAO's field activities have, in many cases, been successful in reaching the rural population at the grassroots, their effect has been limited. There has not been a required breakthrough: that is, a general adoption of participatory approaches to rural development. In many countries, the majority of the rural people is not yet involved in the design, implementation and monitoring of development activities of direct concern to them.

The Plan of Action contains proposals for action in seven areas: greater public awareness, favourable legal and policy framework, strengthening internal capacity of rural people's organisations, decentralisation of government decision making, increased dialogue and technical collaboration between governments, development agencies and people's organisations, new operational procedures and methods, and monitoring and evaluation of people's participation.

ICA's "Basic Values of Cooperation"

The International Cooperative Alliance is in the process of approving a set of "basic values" which cooperatives of all types, and cooperators, tend to hold in common. This question has been discussed at a number of ICA meetings, and a further report will be made at the forthcoming Central Committee Meeting to be held in Berlin in October, 1991.

The basic values are quite distinct from the cooperative principles approved by ICA. The principles are likened by the author of the study on the basic values, Dr. Booke, to a bridge linking the values to the reality. The basic values represent an effort to define a broader set of attitudes cooperators have, such as self-help, self-reliance, equity in dealing, honesty, solidarity.

This initiative of the ICA is in line with a general tendency to look for what is essential in cooperatives, and to make common cause with similar institutions in the light of the profound changes and new trends taking place.

New Developments in the ILO

ILO is the oldest of the United Nations specialised agencies, and the only one with tripartite membership (governments, employers, and workers). A third particularity of this body is the fact that cooperatives of all types were an essential part of its

mandate since its formation in 1919, under the direction of Thomas, who set up the Cooperative Branch immediately, under the leadership of Fauquet, author of "The Cooperative Sector", a seminal early work.

The ILO has a vast worldwide programme of assistance to cooperative development, and is particularly active recently in providing assistance in the drafting of new cooperative legislation. The ILO Panel of Experts is being reconvened to look into some important questions, including Recommendation 127, which is now more than twenty years old.

ILO is also carrying out research into the question of the "favourable climate" for cooperative development, and into the contribution made by cooperatives to employment and income generation, and to human resources development in general, including the full participation of women in cooperatives. The informal urban sector and the role there of cooperatives and similar informal groups is another area of ILO's concern.

The Plunkett Foundation: "People-Centred Enterprises"

The Plunkett Foundation has recently analysed cooperative enterprises of all types and identified their common essence in their being "people-centred" enterprises, in contrast to joint stock and other corporations which are "capital-centred". While this distinction is not new, its formulation at this time by the Plunkett Foundation is particularly clear and trenchant, and is another indication of the new thinking which is seeking the essentials of cooperatives and similar organisations, and seeking to make them known in terms which are simple for those outside cooperative movements to grasp.

The Canadian Cooperative Association (CCA): "Cooperatives in the Year 2004"

The Canadian Cooperative Association, representing all kinds of cooperatives in English-speaking Canada, and also in close contact with the French-speaking cooperative movement, has been very active in preparing for the future in the light of current trends, and serves as a valuable model for other cooperative movements in this respect.

In preparing for its 1991 Triennial Conference, held in Calgary, Alberta, in June, 1991, the CCA launched three separate investigations on the future of Canadian cooperatives. These were:

(a) "Cooperative Perspectives on the Future", a programme of 16 regional dialogues and one national forum;

(b) "The Role of Cooperatives in the Canadian Economy: Opportunities and Constraints for the Future", a comprehensive in-depth study carried out by the Bundon Group Limited;

(c) "Taking Responsibility for the Future: Cooperatives in the Year 2004", a third related study by a specially selected panel of experts.

The findings of these three related activities, brought together at the Triennial Congress, are illustrative of the challenges and opportunities of not only Canadian cooperatives, but of cooperatives in all of the developed countries where they have been established for a relatively long period, and they are considered below in the section of this study devoted to linking major trends with geographical areas.

WOCCU's Goals and Activities

The World Council of Credit Unions has for many years been active in assisting with the development of credit unions in the developing countries, and is now active in East and Central Europe.

Credit unions have formed strong federal structures nationally and in world regions. They have developed carefully designed training materials, and in particular, have stressed certain principles as a corrective to the major problems which arise in development situations, and in relation to new trends.

A credit union Code of Ethics is an important example of this, as is also the emphasis on "safety and soundness", in the present situation in which confidence in financial institutions is at a low ebb. In general, savings and credit cooperatives and credit unions were the type reported by the greatest number of respondents as being efficient, frequently more so than non-cooperative business in the same sector.

The World Bank: NGO Liaison Committee and Popular Participation

The World Bank recently established an NGO Liaison Committee with the aim of maintaining a dialogue with NGO's active in the developing countries. In addition, the Bank is increasingly concerned with the question of popular participation. There is a growing conviction that greater beneficiary participation would improve many Bank-financed projects. This is a major issue between the Bank and NGO's, and government interest is also on the increase. One of the reasons for this is seen in the dramatic spread of democracy in many countries.

Cooperatives in development: Danish Cooperative Centre Workshop

As a result of the changes in the PCPE's, it will be very hard in future to continue to promote cooperatives in the same way as in the past, and new thinking and programmes will be essential. This question is discussed in many places. A recent workshop¹⁰ on the subject, organised by the Danish Cooperative Centre, presented a particularly clear discussion of the problem. The following citation from the seminar documentation gives an idea of the approach:

"Over the past forty years, along with the emergence and development of the new and independent nations in Asia, Africa and the Americas, cooperative development efforts have produced very varied results. Considering the original aims and aspirations as well as the volume of domestic and foreign resources expended on the issue, the results have been disappointing: in a great many countries cooperatives have attained the character of parastatal structures with no or little member participation."

¹⁰ Citations taken from "Summary Paper on Findings in CCD Workshop, Kollekolle, 1991", Cooperative Centre Denmark, Copenhagen, April, 1991.

IV. AN OVERVIEW OF COOPERATIVE DEVELOPMENTS IN MAJOR GEOGRAPHICAL AREAS

The following rough groupings of countries and regions which have something in common in the changes and trends experienced, and the way their cooperatives are affected by and react to them has been adopted in view of the responses received:

- Developed market and mixed economies in which cooperatives have been operating for a relatively long time (N. America, W. Europe, Australia, Japan, New Zealand)
- Previously centrally-planned economies (PCPE's); countries which comprised the Soviet Union and Central and Eastern Europe.
- The developing countries

Across this selected framework run possible counter-categories: Guinea, Ethiopia, Czechoslovakia and Hungary, for example, have a common set of problems in turning away from a centrally controlled economy to a free market environment. The category "developing countries" includes a variegated group; newly industrialising countries in the Pacific rim, such as South Korea for example may have more in common with Japan, and hence with the first category. Japan itself differs from the other countries in the chosen category insofar as it is a net creditor nation. China is a case on its own in some senses, since it has such a huge population and remains a centrally-planned economy.

In spite of these irregularities, the three categories appear generally useful for the purposes of describing major broad trends. Individual differences are dealt with on a case-by-case basis.

1. Developed market and mixed economies in which cooperatives have been operating for a relatively long time

Within the group there are sub-groupings; the countries of Western Europe are in a process of economic and political integration, while Canada, the United States and Mexico are also discussing North American free trade arrangements. Japan presents a special case in some respects; it is a net creditor, for one thing.

The status and role of cooperatives, and their recent development in the context of the changes and trends identified, are considered below for some of the major component areas within the group.

Western Europe

In Europe¹¹, particularly from the perspective of some of the countries (France, Spain, Belgium), it is common to speak and write about cooperatives, together with mutual societies and other associations as part of a special sector of the economy, neither state nor capitalistic, called the "social economy". This concept was once proposed in the English-speaking world as the "Third Sector", but has so far not become generally accepted, perhaps because there has been little communication across the lines of the different types of cooperative, and little realisation of the pervasiveness of cooperatives and similar organizations.

In fact, in Europe, too, the various components of the social sector are separated juridically, being registered under a wide variety of different national legislations. However, the concept of the social sector has been maintained, and it is significant that in 1989 a special Division of the European Commission was created, with the title "Division for the Social Economy", located in the Twenty-third Directorate General of the Commission.

For cooperatives, and for the social economy in general, one of the major problems in European integration is the absence of an adequate juridical structure for certain types of international cooperation. While companies or cooperatives may set up "European Economic Interest Groups" (G.E.I.E.'s), these present some disadvantages: their activities are essentially subsidiary and auxiliary to those of their members, unlimited members' liability is the rule, and they are not allowed to solicit savings deposits. In order to overcome these limitations, the Commission has prepared a draft statute for a "European Anonymous Society", but this model only permits cooperatives and other components of the social economy to set up common or joint branches. Amalgamations between cooperatives and other social economy enterprises of different member countries are excluded, and they cannot be transformed into European level enterprises. In addition, if cooperatives were to be obliged to have recourse to this method, they would thereby lose their distinctive nature, and their guiding principles would no longer be applicable. Cooperatives and other components of the social economy continue therefore to press for legal provisions

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Information on cooperatives in Europe, and on the Social Economy in general, is taken from a study carried out for the EC by Veronique Boniver and Claire Richelot under the direction of Jacques Defourney (CIRIEC), and published by the Spanish Ministry of Labour and Social Security, Directorate of Cooperatives and Labour Societies in its "Boletín de Estudios y Documentación: Cooperativismo y Economía", Madrid, 1991.

which will facilitate their operating freely at European level while maintaining their special character.

A second major problem for cooperatives and the other components of the social economy is the difficulty of adequate financing for the new commitments to European expansion of services. With traditions of self-financing, many enterprises are not well placed for moving into larger markets requiring high levels of finance.

In order to defend their interests and assure their representation at European level, the components of the social economy have set up three organisations, each corresponding to the special juridical type of enterprise involved. For the cooperatives, there is the Coordinating Committee of Cooperative Associations of the Community (CCACC), set up jointly by the sectoral groupings of cooperative banks, agricultural cooperatives, production cooperatives, and others). For associations, in addition to an NGO Liaison Committee on development cooperation, a European Committee of General Interest Associations (CEDAG) was set up in 1989. Mutual Societies have established two bodies at European level; the Association Internationale de la Mutualite (AIM), for mutual provident societies, and the Association of European Cooperative Insurers (ACE) for mutual insurance societies.

The European Cooperative Banks Group includes all the cooperative banks in Europe, with the exception of the Italian "Banche Popolari". Cooperative Banks exist in all the member States with the exception of Greece.

In comparison with commercial banks and savings banks, the cooperative banks group is the only one to have increased its market share over the last twenty years in all countries of the Community, with the exception of Spain. For the last three years, the overall market share of the cooperative banks in the Community is 17%. This has been made possible by the very decentralised structure of cooperative banks, and by their developing universal banking services. Spanish cooperative banks are following the same trajectory of development, but are somewhat behind other European cooperative banks, and are still mainly linked to the agricultural sector.

In all the member countries of the Community, a process of consolidation and amalgamation of companies is in process. In France, for example, the 89 "caisses rurales" of the Crédit Agricole (the world's largest non-Japanese banking network), will soon be only 40 or 50. This concentration is aimed at increasing diversification, and concentrating means for facing up to competition as well as meeting new liquidity requirements.

At international level, various forms of collaboration have

been developed, in particular within the UNICO banking group, set up in 1977 with the support of the main cooperative banks of France, Germany, Holland, Austria and Finland. This group, which has now extended its membership to other countries, markets various international products together, and has organised a system for rapid international payments. This system of cooperation offers to each member a presence in the other countries through its partners, and it prevents the infringement of the territory of each member.

Bilateral agreements are also made. Belgium's CERA has signed an agreement with Holland's Rabobank for the preparation of common financial products. CERA has also come to an agreement with Crédit Agricole for reciprocal services to clients, and Crédit Agricole has agreed with Rabobank that French clients in Holland may benefit from the same services via the Rabobank, while Dutch Rabobank clients will have the same reciprocity of services in France through Crédit Agricole.

Cooperative banks often look for a partner in another country which is of the same size and stage of development as themselves. Thus, Rabobank has come to an agreement in Spain with the commercial bank, the Banco Poular.

For certain other types of international collaboration, independent firms are set up, often taking the form of a private company. ("Société Anonyme"). It is also noted that the national institutions of cooperative banking groups are themselves set up as companies (the DG Bank in Germany, the Caisse Centrale des Banques Populaires, and the Caisse nationale du Crédit Agricole in France).

When it comes to European-level collaboration between regional cooperative banks, then the form of a G.E.I.E. (see above) can be suitable, as long as the agreement only concerns auxiliary activities (marketing services and certain client services). This form was used for the collaboration between the Popular Bank of Strasbourg and the German popular banks of Baden Wurtemberg.

Finally, the internationalisation of activities can also be carried out by means of the outright purchase of foreign companies, or by a participation in their capital. In October 1990, Crédit Agricole, by purchasing 13% of the shares of the Nuovo Banco Ambrosiano, became principal shareholder in one of the large Italian private banks.

It is worth mentioning that the cooperative banks hardly experience the capitalisation problems from which other cooperative sectors suffer. Only some local banks have any difficulty in satisfying the 8% liquidity ratio imposed by the European banking legislation.

Workers' Cooperatives

After an early initial period around the end of the 19th and the beginning of the present century, workers' cooperatives (also called production cooperatives) hardly developed at all in most of the countries of the Community. From the second half of the 1970's until the mid eighties, a new wave of this type of cooperative is to be observed, resulting partly from unemployment, and partly from a rediscovery of entrepreneurship. Most of these young enterprises employ less than twenty workers and are situated in local markets.

In addition to this type of creation from nothing of workers' cooperatives, various other situations may be at the origin of workers' cooperatives. Thus, in Italy, and to a lesser extent in France, numerous worker cooperatives have been created to give new life to enterprises in difficulty. Sometimes, too, private individuals' businesses with no successor transform themselves into cooperatives in order to assure continuity. This happened to a notable extent in France during the last decade. The joining of a workers' cooperative with a public agency for local development can give rise to community cooperatives. These types of cooperative appeared in Ireland in the 60's in declining rural areas, and spread to Scotland, Wales and England. Finally, large industrial groups sometimes set up workers' cooperatives in order to safeguard the existence of a branch or a department, and avoid the social damage of closure and redeployment.

With the exception of Greece and Luxembourg, national or regional federations exist in each country of the Community. However, there are many cooperatives, especially the youngest and smallest) which are not affiliated to the member organisations of CECOP (European Committee of Production Cooperatives). The 13,800 cooperatives affiliated to CECOP represent only about one-third of all the workers' cooperatives in the Community. Overall, European workers' cooperatives employ more than 700,000 workers, but of these over 50% is represented by the Italian cooperatives, and nearly 30% by the Spanish workers' cooperatives.

In general, workers' cooperatives frequently operate in the traditional sectors, with a greater labour intensity than in other types of enterprise. In the south of the Community, they are essentially oriented towards industry and construction. Thus, in Spain, more than 40% of workers' cooperatives operate in the traditional industrial sector (manufacturing, metallurgical, mechanical,) In Italy, nearly 40% of workers' cooperatives are in the construction industry, and their market share in that sector reaches 20%. In the north of the Community, on the other hand, they are more oriented towards the service sector. This is the case with British and Belgian cooperatives.

In certain sectors, workers' cooperatives have undergone considerable restructuring. In construction, there are national and European regroupings. At national level, these groupings may operate within consortiums, as in Italy, where CONACO brings together several cooperatives offering construction services, or the larger units may simply absorb smaller cooperatives. At European level, 5 cooperatives and consortiums for public works from France, Italy, Spain and Portugal have come together to form a single European level promotional organisation, EUROOC. Established in 1989, EUROOC is a consortium registered in Italy. Its objective is to become a G.E.I.E., or a European Cooperative as soon as the national or European legislation permits this. By bringing together their experience and competence, the European building cooperatives will be better able to respond to large international calls for tender.

Another European group, EUROCONSCOOP, is an initiative of the architects' and planning offices cooperatives affiliated to CECOP. Members of this group include cooperatives in Belgium, Denmark, France, Holland, Italy and Portugal. The SEER Company is another inter-cooperative venture, between a French and an Italian cooperative working in restoration projects.

In Italy, in the field of electrical energy, and in France in restoration work, there are also cases of collaboration between workers' cooperatives and public or private entities. At international level in the electro-domestic sector, a G.E.I.E. has just been set up jointly by the Basque cooperative FAGOR (which belongs to the Mondragon group) and the French group Thomson. Together, the new entity should cover about 10% of the European electro-domestic market.

Some workers' cooperatives use other methods for positioning themselves in the European market. A French transport cooperative, for example, has opened agencies in the cities near to frontiers; in Perpignan for Spain, Lille for Belgium, Holland and England, Nancy for Germany and Rheims for Luxembourg.

Workers' cooperatives are inhibited from participating internationally because of the small size of many of them, their essentially local orientation, and their lack of preparation for the larger scene of Europe. On the other hand, it is clear that the achievement of legislation permitting the creation of European cooperatives would permit the workers' cooperatives to carry out their international activities within a framework in conformity with their organisational principles, notably that of democratic management.

Consumers' Cooperatives

One of the oldest forms of cooperation, consumers' cooperatives are found in the distributive sector, with points of sale ranging from the retail shop to the hypermarket. At first, consumer cooperatives were particularly specialised in foodstuffs; they then moved into other consumer goods, and now pursue a policy of diversification while at the same time trying to develop special market niches.

Consumer cooperatives are present in all Community countries except Ireland, and are represented in EURO COOP (European Community of Consumer Cooperatives). Other European countries such as Finland, Switzerland, Sweden and Norway are also represented in EURO COOP. In some European countries, the consumer cooperatives are in a state of crisis, while in others they are very dynamic.

Thus, in Belgium, nearly all consumer cooperatives have disappeared, since they were unable to adapt to new conditions of competition. In Holland, in 1972, half of the consumer cooperatives went bankrupt, and only half have survived. The French General Society of Consumer Cooperatives, a wholesaler, ceased activities in the teeth of competition, and the National Federation of Consumer Cooperatives was forced to considerably reduce its services. Today it seems that the movement as a whole has managed to overcome its problems. In Germany, the COOP AG group, which resulted from the amalgamation of a hundred cooperatives, has recently been taken over by the REWE group and by KONSUM (ex East German consumer cooperative group) for those cooperatives of COOP AG situated in Berlin. The ten remaining cooperatives representing Germany in EURO COOP have a combined turnover of 2.7 billion Ecus.

Consumers' cooperatives are very dynamic, on the other hand, in Denmark (more than 1,500 stores), Spain (about 660 stores), and in Italy (nearly 1,300 points of sale). In Greece the movement is relatively young, but very dynamic. In the U.K. consumers' cooperatives have a certain economic importance, with over 4,600 points of sale.

Despite the tendency to diversification, consumers' cooperatives remain important above all in the food business: (31% of the Danish food market, nearly 8% in U.K., and 4% in Italy and Luxembourg).

Consumer cooperatives face a challenge because their own funds are relatively small for the capitalisation required in international markets. There have been some proposals that the cooperative banks should assist, and there is a campaign to raise more share contributions from members.

It may be expected in the future that consumer cooperatives

will diversify into other consumer goods, and also towards unconventional services such as the mail order service started by CAMIF in France.

In common with the distributive sector as a whole, consumer cooperatives have experienced some important amalgamations. The number of primary societies has diminished over the years. The recent amalgamation in Great Britain between Cooperative Retail Services (CRS) and the Cambridge Cooperative Society shows that the phenomenon of concentration is not yet finished.

At international level, 21 purchasing centres of cooperatives spread throughout 18 European countries and also in Israel and Japan established INTERCOOP in 1971, with a secretariat in Copenhagen. The objective of INTERCOOP is to encourage cooperation between the member cooperatives in order to increase their economic power in the food and non-food markets, including group purchasing and brand marketing.

Agricultural Cooperatives

Agricultural cooperatives of the member states of the Community are represented by COGECA (General Committee for Agricultural and Fishery Cooperatives). COGECA represents members' interests and participates in the preparation of agricultural policy.

Most European agriculturalists are members of various cooperatives. Thus, in 1988, 36,000 agricultural cooperatives of the Community had 12 million members, whereas there are less than 9 million farmers in the Community.

The highest number of agricultural cooperatives is found in Italy (nearly 1,000). Greece, Germany and France also have important agricultural cooperative movements, with memberships between 4,000 and 7,000.

The agricultural cooperatives of the Community represent more than 720,000 jobs, of which 71,000 are in Italy, 130,000 in France, and 136,900 in Germany. The employment aspect of agricultural cooperatives is equally important in Denmark and Holland.

More than half of European agricultural production is harvested, processed or sold through cooperatives. The dairy industry is the most important cooperatively, varying in 8 states from 60% to 90%. In Ireland, practically all the milk is handled by cooperatives. In several countries, over half of the marketing of wine, grains, and animal foodstuffs is handled by cooperatives.

The business volume of agricultural cooperatives varies enormously from one country to another, and within countries. Thus

in Ireland, where the number of cooperatives is low, the business volume per cooperative is over 40 million Ecus. On the other hand, in Italy, the average business volume per cooperative is only 1 million Ecus.

In several member states, agricultural cooperatives have entered into a process of internationalisation and concentration. Over the last 30 years, the number of agricultural cooperatives has fallen by more than a half, but the volume of business has greatly increased. This increase has even been far greater than the figure for agricultural production generally. This is explained by the diversification and specialisation of the agricultural cooperatives. In fact, a process of accelerated vertical integration is going on, and agricultural cooperatives attempt to secure a presence at each stage of the food production business to take advantage of the value added. They also extend their range of goods beyond agricultural products.

In order to make their presence felt, agricultural cooperatives will have to put into operation internal and external strategies to ensure their growth in the face of numerous joint ventures and combinations. Some of them have already taken international action, but developments are still weak within the Community. Examples of international groupings include INTRADE, which brings together Canadian, American and European agricultural cooperatives in the international market for grains, oilseeds and animal feedingstuffs; ANIMEDICA INTERNATIONAL, which groups several European cooperative organisations for the purchase of medicinal products, and COLTIVA, which combines several Italian wine cooperatives and collaborates with other organisations at international level. Concentration in the dairy cooperative sector is illustrated by the amalgamation of French-speaking Belgium's cooperatives with the Normandy Milk Union, composed of eight cooperatives. This Union is also looking to acquire 45% of the capital of the Spanish dairy group Celbasa Alto. In Germany, close collaboration is developing along the frontiers with France, Belgium and Italy in the dairy industry, and with Holland in the horticultural sector.

The G.E.I.E. is also considered as a possible form of European collaboration between agricultural cooperatives. In November 1990, ten organisations belonging to eight member countries came together to form ECORD (European Cooperatives for Agricultural and Rural Development), whose main purpose is to help in the reconstruction of agriculture in the countries of Eastern Europe.

In developing through diversification, specialisation, or international cooperation, the European agricultural cooperatives have to carry out large investments, whose financing constitutes a permanent challenge. Members' owned capital in these cooperatives is relatively weak, and beyond a certain point, external capital threatens to call into question their cooperative

structure.

Cooperative Pharmacies

Five countries of the Community have legislation permitting the establishment of "social pharmacies" or "cooperative pharmacies". They are: Belgium, Italy, Great Britain, France and Holland. In the other states, these cooperatives do not exist, either because they are not permitted, as in Spain, Greece, and Germany, or because rights remain with the State, as in Denmark and Luxembourg.

The Social Pharmacy is either open to the public in general, or only to the members (as in France). It is the property of an association of persons (consumers, cooperators, associations, or mutualities), whose principal objective is to serve the general interest of the collectivity. The cooperative pharmacies are consumers cooperatives. The cooperative's members hold shares, and at the end of the year receive a bonus in proportion to their purchases.

Together with Switzerland, Belgium, France, Great Britain Italy and Holland are members of the European Union of Social Pharmacies (UEPS). In these five countries, there is a total of nearly 2,500 social pharmacies out of 55,000 pharmacies in all. In Belgium, social pharmacies account for 10% of the total number, and supply 20% of the population. The growth of Belgian cooperative pharmacies has been remarkable. Since the last war, their outlets have quadrupled, whereas those of private pharmacies have only doubled. In Italy, 8% of pharmacies are social (municipal pharmacies), and their market share is 10%.

Although only 1% of pharmacies in France are cooperative, they nevertheless supply 5% of the population. They have experienced only limited growth, partly due to legislative constraints.

In Holland, the importance of social pharmacies compensates significantly for the precarious nature of the basic social services for medicaments, and their high price.

The social pharmacies have a relatively good capacity for self-financing, in common with the industry as a whole. They follow the development of the health-care sector which is itself growing.

The aims of the U.E.P.S. include the expansion of social pharmacy in those countries where they already exist, but where there are certain legislative or financial problems (e.g. in Italy). It also proposes to promote the establishment of this form of pharmacy in those countries where they do not yet exist, for example, in Czechoslovakia and Poland.

Cooperative Tourism

In Europe since the end of the last century there has been action by cooperatives, mutual organisations and associations to promote the possibility of workers and their families enjoying paid holidays. In 1936, an international convention was signed in which the right of workers to annual paid holidays was recognised, and since 1964 there has been a development of facilities such as holiday villages, camping grounds, youth hostels, sports centres, etc.). According to the European Coordinating Committee of Social Tourism (CETOS), the overall volume of business of "social" tourism is estimated at four billion Ecus.

It is difficult to disentangle the data corresponding to cooperatives, mutualities and associations in the various countries of the Community, especially since there are a number of joint programmes between these constituents of the social economy.

Special legislation for social tourism exists in France, Belgium, Italy, and, to a lesser degree, in Portugal, Spain and Greece. In Denmark, Ireland, Luxembourg, Holland, Germany and Great Britain, on the other hand, there is a different idea of social tourism; one finds facilities established by trade unions, charitable organisations and church groups.

France has the most numerous network of social tourism, representing 1% of the overall national tourist activity, with about 1,000 centres with 1.7 million beds, a business turnover of 1.7 billion Ecus and 70,000 employees.

The Nordic Countries

Denmark, Finland, Norway and Sweden, the four Nordic countries, are famous for their cooperatives. In Finland today, 25% of people's deposits are with cooperative banks, and 26% of loans are made by cooperatives. Cooperatives are responsible for 47% of national food production, 98% milk, 70% meat, 69% eggs, 58% grain, 56% agricultural requirements and 25% of timber. The cooperative Pellervo group's operations represent 10% of gross domestic product.

The importance of the cooperative movement in Swedish society is increasing with the new types of cooperative emerging. The efforts to rationalise and reduce costs in the public sector of the economy are also focussing attention on cooperative objectives and methods. About half of the Swedish population are members of cooperatives, and the number of members is increasing. The "traditional" consumers and agricultural sectors are working hard to adjust to changing environments in Swedish society.

On the other hand, the "quality" of the membership seems to be undergoing some changes. It has been suggested that about one third of the membership is not fully satisfied with the performance and achievements of their cooperatives.

While cooperatives are positively viewed by all political parties, there is nevertheless some lack of understanding of their objectives and methods. A 1991 public enquiry to increase competition in Swedish society misconceived the nature of cooperation between individuals and between primary and secondary cooperatives as a hindrance to competition.

Swedish cooperatives are member-oriented, but they have had to adjust to competition in the market, and some say the "cooperative ideology" has suffered in the process. Others maintain that the primary responsibility of cooperatives is to survive in order to be in a position to be of material assistance to their members.

Market shares of some of the major cooperatives in Sweden were as follows in 1989: Consumer 15.5%, O.K. Petrol (gasoline) cooperatives 18.5%, housing 17.6%, burial cooperatives 33%.

"New wave" cooperatives, developed in Sweden, as in other countries in recent decades, include child-care centres and cooperatives for the care of the aged.

Danish agriculture, two-thirds of which is for the export market, is dominated by cooperatives, with percentages up in the nineties for milk and butter, furs and fishmeal.

Twenty percent of housing is cooperative, and consumer cooperatives have 33% of the retail market.

There is no cooperative law; cooperatives are set up under the normal corporate legislation, but are owned by the farmers, house-dwellers or consumers, as the case may be, and are set up and operate according to the usual cooperative principles. They are commercial businesses in a privileged position in the market, but with commensurate responsibilities. Denmark's cooperatives are proactive, and are preparing for the 1992 open market by setting up fresh goods terminals and a number of international daughter-companies. Computerised administration is another achievement in this readying. Agricultural cooperatives operate in a sector which sees increasing farm size, although the average size is only 36 ha, and increasing specialisation. The cooperatives are themselves specialised, single-product enterprises. These have seen a process of amalgamations, all agreed to in annual general meetings of the members, to achieve efficiency in international trade.

Declining prices of farm produce, coming together with a need for investment in higher technology has created such a demand for capital that the practice of establishing financial conglomerates has been adopted.

Norway is another cooperative stronghold, with powerful agricultural cooperatives and a consumer movement which is the largest commercial chain in the country, occupying itself with 25% of the national retail trade. Here, too, a major recent concern is the position of Norway's cooperatives in Europe, whether or not Norway is a formal member. The consumer movement, which responded to the COPAC questionnaire, is active in training for East and Central European cooperatives, and is directly involved in movement-to-movement technical assistance in the Gambia.

North America

The well-established cooperatives in Canada and United States are increasingly being required to maintain their position in the market in the face of very powerful competition from large concerns with huge resources.

United States of America

In recognition of the challenges posed by the new trends, in 1987 the US Senate Agricultural Appropriations Subcommittee issued a directive that the Agricultural Cooperative Service (ACS) of the US Department of Agriculture (USDA) "conduct a study on what cooperatives need to do to remain viable businesses and increase returns to producer members. Emphasis should be on principles, practices, philosophy and systems that strategically position cooperatives as effective instruments of their members." The result was the study "Positioning Farmer Cooperatives for the Future"¹², from which much of the information that follows is taken.

In the context of the choices available to the previously centrally planned economies for their restructuring, it is worth noting that farmers' cooperatives are regarded by the US government as being of fundamental importance. In this respect, the Report to Congress states:

"Cooperatives remain the single most effective way farmers can improve their economic circumstances....In cooperatives, farmers are dealing collectively with their problems and seeking solutions through organizations they create, own, control and operate on their behalf. This is the fundamental meaning of cooperation and

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"Positioning Farmer Cooperatives for the Future", a report to Congress, prepared by the Agricultural Cooperative Service of the United States Department of Agriculture, Washington, DC, October 1, 1987.

the essence of the American economic spirit."

In common with the other more developed economies, cooperatives in the United States face the dilemma of maintaining their user owned and controlled status in a market situation requiring for survival and success very large conglomerations and massive capitalization. Raising sufficient capital is always a problem for most kinds of cooperatives. The creation and issue of non-voting financial instruments either directly by cooperatives, or through subsidiary institutions owned by cooperatives is a common practice. Non-voting preferred stock issues bearing a fixed return are used, including employee preferred stock programmes.

Public issuance of common stock, with attached voting rights, has been increasingly explored as a method by which cooperatives may tap the public capital markets. To date, cooperative experiences with the public capital markets have been limited to subsidiaries, rather than core businesses of the cooperatives. The implications of issuance of public stock for a cooperative's core business are most serious. For this reason, most States have statutes prohibiting cooperatives from issuing public stock. The problems and concerns are not entirely eliminated when a subsidiary or other arm's length structure is used to isolate the stock-based capital from the capital structure of the parent organization.

The need for innovative risk investment in the competitive market (for example, in consumer product development) may be met by isolating a portion of unallocated capital reserves. In case of loss, members will not feel so directly affected.

Though the farming sector in the United States is always dynamic, problems of the past few years have resulted in unusually high levels of instability. These include low crop prices, high debt levels, falling land values, and slack demand. Farm income appears to have stabilised, though at the expense of massive outlays of federal funds. Commodity prices are expected to remain volatile and generally on the low side.

There is a trend towards a bimodal distribution of large and small farms, so that cooperatives are dealing with a membership composed of very large farm units on one hand, and on the other numerous small farms highly dependent on off-farm income. This presents a challenge to cooperatives to develop ways to serve all segments of their membership. There is some pressure for tying votes to patronage in cooperatives. The increasing importance of the larger farmer has altered the approach used by many firms in dealing with the farm market. The cooperative that often served as the intermediary between manufacturers or large wholesalers and the farmer is finding itself bypassed more and more frequently. This bypass phenomenon has placed tremendous strains on the traditional multi-tiered structure of the cooperative system.

There has been a general lowering of utilisation rates for many farm inputs. Greater changes in farm supply markets can be expected as commercially viable biotechnological products become available.

Credit unions are also important in the United States, where they originated. There are in all 14,270 credit unions in the U.S.A. (compared with 12,400 commercial banks, 489 mutual savings banks, and 2,342 thrift and savings associations) organised according to different common bonds: community, occupational, associational, or multiple groups. The most common type is occupational. For example, the largest credit unions include the Navy Federal C.U., with over a million members, and an annual turnover of \$4.3 billion, the State Employees C.U. with about 300,000 members and \$2.2 billion turnover.

Canada

As mentioned above, the Canadian Cooperative Association, representing all kinds of cooperatives in English-speaking Canada, and also in close contact with the French-speaking cooperative movement, has been very active in preparing for the future in the light of current trends, and serves as a valuable model for other cooperative movements in this respect.

In preparing for its 1991 Triennial Conference, held in Calgary, Alberta, in June, 1991, the CCA launched three separate investigations on the future of Canadian cooperatives. These were:

(a) "Cooperative Perspectives on the Future", a programme of 16 regional dialogues and one national forum;

(b) "The Role of Cooperatives in the Canadian Economy: Opportunities and Constraints for the Future", a comprehensive in-depth study carried out by the Bundon Group Limited;

(c) "Taking Responsibility for the Future: Cooperatives in the Year 2004", a third related study by a specially selected panel of experts.

Some of the general trends and their consequences, as identified in particular by the Bundon Group, are of interest. The anticipated opening up of the PCPE's to the world market "means that they will absorb a lot of development capital, to the detriment of capital-importing countries such as Canada and therefore, in some degree, to capital users like the

cooperatives."¹³

There is a perception of a probably trend towards "Eurocentricity" within the European Community, and the expectation that perhaps one or more of the Eastern European countries will apply for membership.

Globalisation is seen as one of the major trends. A strenuous contest for the necessary investment is anticipated, bringing growing pressure on the internationally involved cooperatives and an added incentive to appropriate growth.

This does not mean the demise of smaller cooperatives, which may be better at filling niches in the market than the larger enterprises.

The aging of Canada was noted, together with the phenomenon of immigration. Canadian cooperatives and cooperators show themselves to be proactive in looking ahead at the future composition of the nation, and conceiving specific strategies for welcoming "new Canadians" into the cooperative world, studying their interests and needs for possible cooperative solutions. There is also concern to cater for the special needs of the older population.

One of the noteworthy aspects of the Canadian look into the future for cooperatives was the recognition of the enormous importance for the cooperatives' past and future success of volunteers. By volunteers is meant the large body of people who serve on boards and committees in all kinds of cooperatives. Attention in Canada is being paid to maintaining a good supply of high quality volunteers, and research is done to find out what attitudes the public, and members of cooperatives, have towards service as volunteers on cooperative boards and committees. It was found that there were many people, especially women, who were motivated, qualified and willing to serve.

Canada expects to witness a growing devolution of power from the federal to the provincial/regional governments. Slower economic growth and continuing high deficits and therefore higher interest rates are foreseen. The national debt servicing load will retard growth in the standard of living and will possibly decrease it.

The Bundon Group found the Canadian cooperative movement did not function as a distinct "economic system" in any comprehensive or strategic sense. Cooperatives functioned primarily as autonomous economic entities, loosely associated within many business sectors and sub-sectors.

This judgement of a successful cooperative movement is very significant. In fact, it applies virtually everywhere, and is

one of the major weaknesses of what is called the cooperative movement. This area is one in which potential gain can be made, both in creating economic synergy between cooperatives where at present there is none, and also in the sense of finding a common image and message relevant for the public in the future. The report states: "collectively, cooperatives hold enormous market power as both buyers and sellers. However, the use of this market power is not fully exerted..." and "The cooperative sector has an enormous economic and political power with which to ensure its future role in the Canadian economy. It is one of the most underused assets in the cooperative system".

Significantly, too, cooperatives are suspected of "talking to themselves". Research suggested a far lower level of knowledge by Canadians about cooperative values, operating principles and economic contributions to Canada than current membership statistics would imply. Reliable data on active membership in cooperatives of all kinds in Canada is not available. Estimates of total national membership of cooperatives varies from about 12 millions to 22 millions.

Cooperatives in Quebec¹⁴ are also affected by concentration of enterprises and deregulation. The position of cooperatives in the dairy industry market in Québec was the object of a study by Daniel Cote. As large food retail chains have increased their concentration, so have producers. Markets are now internationalised, and there is an end to systems of national protection. In Europe, the 30 largest dairy groups handle more than 80% of sales of dairy items. Half of these are cooperatives. The 15 largest dairy groups have a turnover of more than a billion dollars US. This concentration is on the increase, not only in Europe, but generally. It is pursued with the aim of improving use of plant capacity, and to tackle increased competition from substitute products. It is now reckoned that to be capable of international competition, an enterprise must command about two billion litres/year, and have a turnover of more than US \$ 1 billion. Law No. 15, in Québec, treats cooperatives in the same way as non-cooperative enterprises, and cooperatives are allocated a quota which is not related to their members' production. Thus, if a cooperative gains more members, it will not be able to handle their output, because the quota will not change. This brings about a breaking of the patronage relationship between the member and his cooperative.

Japan

The development of Japanese technology, and its position as

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See Daniel Cote "La Pertinence du Mode d'Organisation Coopératif en Industrie Laitière face aux Défis de l'an 2000". Québec, 1990.

a net creditor nation, as already indicated, place this country in a different situation from the other countries considered in the category of richer countries where cooperatives have been established for a relatively long time. The yen (Y 218 = \$1 in 1985, Y137 = \$1 in 1991) is of course strong, and there may be some tendency for it to be used as an international currency. The land area of Japan is 37 million ha., of which nearly 5 million are arable, and about 3 million ha. irrigated. With a total population of about 120 million and a gross domestic product of about 275 billion yen (1985 figures), average per capita income is nearly \$10,000. With total imports at around \$137 million, and exports over \$170 million, Japan has a trade surplus of over \$30 million (1984 figures). The agricultural population is nearly 11 million, but agriculture accounts for only 0.7% of GDP.

The modern co-operative movement in Japan¹⁵ started after 1900 when the formation of four types of co-operatives were authorized by law: credit, marketing, purchasing and processing. Credit societies were authorized to perform marketing business in 1906.

The agricultural co-operative law was promulgated to manage lands re-distributed by Land Reform in 1947. In 1951, the law for Rehabilitation and Consolidation of the Agricultural, Forestry and Fishery Co-operatives came into effect to rehabilitate the co-operatives which were in financial trouble. Later, in 1954, the National Guidance Federation of Agricultural Co-operatives was re-organized into the present Central Union of Agricultural Co-operatives. Since then, basic policies pursued by the Co-operatives have been modified in accordance with the changing economic situation.

At present, almost all farm households are enrolled in the primary agricultural co-operatives which are organized at city, town and village levels with farmers as regular members and non-agricultural inhabitants as associate members. The primary agricultural cooperative societies are classified into two categories: multi-purpose and single purpose types. The former are engaged in the marketing of agricultural products, input supply, credit, mutual insurance processing and utilization etc. Such diverse activities are geared to the Japanese farmers who are engaged in mixed farming. In specific enterprises such as fruits and vegetables, sericulture and livestock raising, single-purpose cooperatives are organized to market their produce. Almost all their members are also members of the multi-purpose agricultural cooperatives.

Legislative activities cover a wide area including price measures for agricultural products such as rice, wheat and barley, easing taxation on farmers, measures against trade liberation in

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Source: Central Union of Agricultural Cooperatives, Tokyo, 1984.

agricultural products and measures for increasing agricultural productivity, etc.

Farmer leaders attend a national convention aimed at unification of the expression of farmers' intentions which is held under the guidance of the Central Union of Agricultural Cooperatives, prefectural unions and others at the respective levels of participation.

In 1961, the law of Amalgamation Assistance for Agricultural Cooperatives was enacted under which the merger of cooperatives was promoted. In 1967, the 11th National Congress of Agricultural Cooperatives adopted the basic Agricultural Development Scheme to realize highly efficient and high-income earning agriculture. Based upon such a precept, efforts were made to create co-operative farming complexes.

The state does not get involved in the co-operative sector. Planning and development activities are undertaken by the cooperatives themselves.

In October 1979, Japan's agricultural co-operatives, at the 15th National Congress of Agricultural Co-operatives, passed a resolution outlining the "Tasks of Japanese Agriculture in the 1980s and Agricultural Cooperative Response" in which they clarified their own strategies for the 1980s.

Later, in the 16th National Congress of Agricultural Cooperatives held in 1982, two policies were adopted, one entitled "A Long-Term Prospect of Japanese Agriculture and Agricultural Cooperatives' Proposed Strategy for Its Development" and the other entitled "Measures for Renovation and Consolidation of Agricultural Cooperative Management". The nation's agricultural cooperatives have since been handling the task of restructuring agriculture and agricultural cooperatives from two aspects, that is, reorganization of regional agriculture and efficient management of agricultural cooperatives.

The primary agricultural cooperative societies have their federations in the prefectural level (i.e. county level) which are organized according to specific functions. The federations can be broadly classified into two categories based on whether they are mainly composed of multipurpose agricultural cooperatives (e.g. prefectural economic federation, prefectural credit federation etc.) or single purpose agricultural cooperatives (e.g. dairy cooperative federation, horticultural cooperative federation etc.)

There are 47 prefectural unions of agricultural cooperatives whose members are primary cooperatives and prefectural federations. They do not engage in economic business but carry out guidance, coordination and research activities on behalf of the primary agricultural cooperatives in each prefecture.

Each federation on the prefectural level has its counterpart organized at national level. These national federations can also be differentiated based on whether they are related to the multi-purpose agricultural cooperatives (e.g. National Federation of Agricultural Cooperative Association) or the single purpose agricultural cooperative (e.g. National Federation of Dairy Cooperatives).

There are some other associations (e.g. Central Cooperative Bank for Agriculture and Forestry, National Association of (Prefectural) Credit Federation of Agricultural Cooperatives, UNICOOP JAPAN etc.) which are not defined as national federations according to the Agricultural Cooperative Society law.

These prefectural federations, in turn, provide the paid-in capital for the respective national federations. ZEN-NOH is one of the national federations which take care of business transactions such as marketing of agricultural products, and purchasing of farm inputs, and consumer goods. In addition to these prefectural federations, local agricultural cooperatives become members of ZEN-NOH.

There is a nation-wide Central Union of agricultural cooperatives which represents the interests and will of the agricultural cooperative movement in Japan. Its members are primary agricultural cooperatives, prefectural federations, prefectural unions of agricultural cooperatives and various national federations. The majority of multi-purpose agricultural cooperatives have youth and women's associations designed to act independently to promote agricultural cooperative movements.

In Japan, the primary agricultural cooperatives may be broadly classified either as multi-purpose cooperatives or single purpose cooperatives. In terms of total number of cooperatives registered in 1983, forty seven per cent were of the multi-purpose type and the remaining fifty three per cent consisted of single purpose cooperatives. Of the latter type, the sericultural, livestock, dairy, poultry, grassland and horticultural cooperatives accounted for about 77% of the number of single purpose cooperatives.

The total number of cooperatives has shown a steady decline from 46,254 in 1960/61 to 9,294 in 1982/83. The number of multi-purpose cooperatives decreased from 12,050 in 1960/61 to 4,375 in 1982/83 and single purpose cooperatives declined from 34,204 to 4,921 during the same period. Since single purpose cooperatives are organized to concentrate on specific activities, in practice, most members have been found to be concurrently members of the multi-purpose cooperatives as well.

According to a survey conducted in 1983, sales of rice to wholesalers accounted for the highest turnover value of all

multipurpose societies, amounting to approximately 1,074 billion yen. Next was rice purchased by the government amounting to 956 billion yen followed by vegetable, fruit, beef cattle, hogs, fresh milk, etc., in order of decreasing importance.

A large proportion (98,6 per cent) of all societies recorded profits between the period 1977/78 to 1982/83 and the average profit ranged between 28,678 yen and 42,723 yen during the same period. Labour productivity measured as gross business profit per number of officials and employees also showed an upward trend rising from approximately 3,8 million yen in 1976/77 to 5,9 million yen in 1982/83.

Basic to primary agricultural cooperative business is the advance order and pooling account system. Based on farm and home economy plans, members place their orders with the cooperative for which the prices are charged after having been pool-accounted. Some of the materials or consumer goods supplied to member farmers are manufactured by joint stock companies in which the National Federation has share capital.

Significantly high increases have been recorded in the purchase of inputs from manufacturers during the past two decades. Value of purchases of agricultural input increased from 205 billion yen in 1960 to 3,093 billion yen in 1983. Purchases of output from the farmer members showed an increase from 600 billion yen to 6,069 billion yen during the same period. Although the value involved in the latter case is higher, the average rate of increase in purchases of output was not as much as in the case of purchases of input from manufacturers.

The purpose of cooperative credit business is to receive members' funds as deposit on favourable terms and lend to other members with these funds at a low rate of interest. After retaining reserves for the repayment of deposits, loans are disbursed with the remaining funds. In some cases, an interest subsidy may be received from the Government.

The bulk of agricultural produce collected by primary agricultural cooperative societies is sold in the national market mainly through the prefectural economic federation and the National Federation. Some produce is also sold to bulk consumers on a contract basis (e.g. factories, hospitals). Direct sales through cooperative stores run by primary agricultural cooperatives have become popular in the recent past, and there is also a tendency for direct transactions with consumers' cooperatives.

The joint use of facilities is expected to result in increased agricultural productivity, lowered production costs, unified grading and planned production and marketing. In addition, any primary agricultural cooperative is authorized to conduct farm management entrusted by its members or to deal with transactions

in transferable farmland.

Each primary agricultural cooperative has farm advisors and better-living advisors to assist farmer members in improving the quality of their farm management and life. The guidance provided is aimed at achieving all or some of the following:

- Consolidation of basic farmland conditions,
- Unification of production materials (e.g. variety, fertilizer),
- Unification of production techniques,
- Joint grading and marketing,
- Regional and individual farm programming and management.

Educational activities to enhance cooperative consciousness among the members of agricultural cooperatives societies is achieved through wired communication sets, newspaper, posters, round-table discussions, training courses, etc. In addition, radio and TV broadcasts, movie production and monthly magazines, e.g. Le-No-Hilcari (Light at Home) Chijo (Good Earth) and Kodomo-No-Hilcari are produced regularly. Prefectural unions and the Central Union own their training schools and a college.

Agricultural cooperative societies conduct mutual insurance business with their members as policy holders, leading to premiums being lower than those charged by private insurance. In practice, the agricultural cooperative society diversifies its risks by re-insuring with the prefectural mutual-insurance federations.

Such mutual insurance schemes may be undertaken either on a long terms basis for life insurance, building endowment insurance, house construction insurance, etc. or on a short term for fire insurance, automobile insurance etc.

In order to ensure that the accumulated premiums are used effectively for the benefit of its members, medium and long term agricultural loans are granted on advantageous terms.

2. The Soviet Union, Central and Eastern Europe (Previously Centrally Planned Economies, or PCPE's)

Background

It is perhaps worth recalling that cooperatives have a special

position in Marxist-Leninist thinking. Although the system set up in the name of this philosophy is now discredited in the PCPE's, and the statues of its originators are being destroyed, it may not be so easy in the long run for everyone in the countries concerned to completely reject what they have been educated for so long to believe, especially if the hoped-for fruits of privatisation and market economics are not so quick to ripen. As with cooperatives, it is necessary to distinguish between the theory and the reality, and the theory was originally based on a critical view of the problems of the capital-oriented system. These naturally do not disappear with the collapse of communism.

Briefly, cooperatives were supposed to be the "ideal" way of doing business. State farms, and State intervention and control in general, were originally supposed to be temporary expedients, regrettably necessary until the people's education and consciousness developed so that they could take over everything themselves, at which point the State was to "wither away". Thus, the Kolkhoz was a superior form of enterprise to the Sovkhoz, because the latter was still under State control.

For various reasons, the centrally-planned State did not "wither away" or give way to cooperative business, and the degree of State control over the environment in which the consumer cooperative movement and the kolkhozes operated made it virtually impossible for these to develop as genuine people-centred businesses. (At the 1989 Congress of the Soviet Consumer Cooperatives Federation, 1,500 delegates from all parts of the Union complained vociferously to the Moscow-based authorities about the impossibility of running consumer stores in the provinces with empty shelves.)

Despite these vicissitudes, it may be supposed that the popular idea of a cooperative in the PCPE's is that it is at least better in principle than a State enterprise: in a sense it has for years been the nearest thing there was to a private enterprise. And for a large number of people, it might be unacceptable, after so many years of hardship in the name of socialism, if the leadership were to suddenly opt in favour of outright capitalist companies. This is no doubt why, in the earlier stages of perestroika, the cooperative form of business was chosen as the first step towards private enterprise.

The New Cooperatives

Thus, in the Soviet Union, new legislation opened up the possibility of private citizens doing business by forming cooperatives, and more than two hundred thousand cooperatives were almost immediately formed. When the only legal door to private business opens up with the "cooperative" title, a large number of individual entrepreneurs of all kinds will inevitably be amongst the membership. Many of these are operators with good connections

to the system who are able to obtain scarce state goods and sell them through their "cooperatives" at profitable prices. This phenomenon gave the "new cooperatives" a bad name, and gave rise to the comment "State stores empty, cooperatives full".

On the other hand, there are a large number of genuine new cooperatives and cooperators, especially small family businesses like restaurants and services, horticultural production, small manufacturers, farmers, and so on. In this connection, it is important that the legal possibility of forming individual and family businesses be created as soon as possible. By doing this, all those private entrepreneurs who have so far been obliged to use the cooperative label in order to do business, will be able to register as private businesses. This will clear the field for genuine cooperatives, and should remove the stigma that is attached, in the Soviet Union, to the "new cooperatives". Representatives of genuine cooperatives amongst the new ones are the first to press for this kind of legislation.

Privatization

With regard to the "old cooperatives" (consumers' cooperatives and kolkhozes) there is a danger of "throwing the baby out with the bath water". The natural popular reaction against all that was bureaucratic, coercive, Party dominated, in the old cooperatives, is causing some people to propose their liquidation and privatisation.

In this context, the future of previously centrally-planned economies poses an urgent problem. The people of those countries have only known pseudo-cooperatives. Today, this kind of enterprise is decisively rejected. An alternative to pseudo-cooperatives and State enterprise is sought in privatisation of property and enterprises, and the establishment of a market economy.

The appearance of relative opulence in the west, and the belief that this is achieved by "capitalism", could lead to a swing of the pendulum towards forms of privatisation which will in the long run be inimical to the interests of the people themselves, and could even result in economies more capitalistic than those of the west, which are not capitalist, but "mixed" economies, heavily leavened with genuine cooperatives and similar participative, people-centred institutions whose presence in the market, though little realised or understood, is so pervasive as often to set the tune by which a considerable part of these economies moves.

In fact, data received and analysed for this study show clearly that many sectors in western market economies (e.g. agriculture) are dominated by cooperative enterprise. Nor should it be thought that it is necessary for cooperatives and similar

enterprises to dominate a market: a salutary presence of only 10% of a market can be enough to influence the behaviour of the other 90%. Nevertheless, some of the proposals and thinking concerning the ways in which the PCPE's should be reorganised give cause for concern.

Problems of Privatisation and Participation

This danger is made more real by the fact that many of those who are likely to be participating from the west in proposals and programmes of action towards privatisation and investment tend to adopt the kind of tough macro-economic approach characteristic of precisely those remote business entities who tend to dominate the global scene.

In this connection, interesting information about privatisation proposals and actual programmes in operation already is given by an IMF working paper¹⁶, which states:

"An alternative mode of privatisation, which does not appear to be generally favored (underlining ours), is via the self-management movement. This form of privatization implies the transfer of ownership rights directly to the workers of each particular enterprise.....There are two major problems with this form of employee privatization. The first one is a question of equity and fairness, since this type of transference of assets would only benefit a very limited segment of the population (which is already privileged by holding jobs in the largest companies) (underlining ours)....The second problem concerns the efficiency of a self-managed enterprise. Economic theory suggests that such enterprises will underinvest and have shorter planning horizons than is the case otherwise. In addition, it would be complicated to attract private investors to acquire a minority stake in a worker-controlled enterprise, because workers could curtail dividend payments by granting themselves salary increases (underlining ours).....As long as workers do not acquire control of the board of directors, a fractional employee ownership is very different both from an equity and an efficiency perspective and should not pose any serious problem to implementation."

Instead of this (cooperative) kind of privatisation, the models preferred are those in which every citizen receives a voucher entitling him or her to a share in all of the previously state-owned enterprises. This would produce the same sort of remoteness of ownership from operations as obtains in large joint stock enterprises of the west. In some models, financial intermediary institutions would be created to handle the citizens' vouchers. Proposals appear to be constructed with a token

percentage of citizens' shareholdings distributed broadly amongst all enterprises to be privatised (thus, without linkage between specific groups of citizens and specific industries), and another percentage for government, while space is reserved for foreign capital to come in, with guarantees of powers to control the efficiency of management in maintaining good profits.

Apart from the doubtfulness of the privilege of working in the largest enterprises, every one of the state enterprises to be privatised, including state farms, has its employees and managers who form part of the local community in which the enterprise is located. There are serious social questions raised in a decision for or against local self-management and ownership.

There is no doubt that in many, if not all cases, present staffing of the state enterprises would be considered too high for the new market efficiency targets, so that massive redundancy and unemployment are predictable outcomes.

Moreover, while there is no doubt that improved technology will be required in the ex-state enterprises, there may be pressures from foreign investors and manufacturers to import machinery and technology resulting in a more capital-intensive way of operating than is in the interest of the communities in which each enterprise is located. In fact, an intermediate technology, more labour-intensive than that prevalent in the west, would probably be best for these transitional economies.

Patterns of Privatisation in Process

Below, some details of the types of privatisation actually being undertaken, or in the process of elaboration, in several of the Eastern European countries are given from the same IMF paper. The initiatives are in a state of flux and the precise objectives and methods of implementation are changing over time.

In Romania, the privatization law of August 1990 transformed the state enterprises, except those in strategic industries such as defense, energy and infrastructure, into commercial companies (joint stock or other form of limited liability corporation), with 30 percent of their capital being transferred to the National Agency for Privatization (NAP). The law requires the NAP to issue vouchers to every citizen over the age 18, which will later be used to acquire a 30 percent share of capital in state enterprises owned by the NAP (apparently at prices established by that agency on the basis of book value). Shares for the remaining 70 percent of capital would be issued and sold subsequently, with 10 percent of the shares reserved for purchase under preferential conditions by enterprise employees. By September 1991 a free stock exchange market is scheduled to start trading in enterprise shares. In addition, privatization of small scale enterprises and shops is

well under way, as well as the establishment of new private small enterprises, many with foreign participation.

In Poland, the main privatization initiative was taken in July 1990 when legislation was passed by an overwhelming majority of the Polish parliament giving the government authority to undertake privatization of the industrial sector. Passing of the law paved the way for settling the issue of property rights in favor of the central government. While this facilitated the move to privatization, the method for doing so was not then decided, and is only now being elaborated. The proposal being currently developed divides the process of privatization into several categories. Shares in the 500 larger enterprises would be distributed to different sectors while smaller size companies would be either sold or liquidated. The 500 enterprises will be disposed of in several stages, the first of which would comprise 150-200 enterprises. The government will issue free vouchers to the entire population for the equivalent of 30 percent of the value of the privatized enterprises, to the Social Security office for 20 percent, and to banks for 10 percent of that value. Ten percent of the shares will be distributed to employees. The creation of intermediary institutions will be authorized, which will sell their shares in exchange for vouchers that will be used to acquire stock of the privatized companies in an auction. In the scheme's early stages, the state will retain a 30 percent holding in each enterprise, but it will deposit those holdings with the intermediaries, who will be in charge of selling the state's shares to other investors using any modality they find fit.

In Czechoslovakia, where the voucher scheme was elaborated, the actual privatization process falls into three phases. In the first phase, restaurants, shops and other small service outlets will be sold to the private sector. Individuals whose property was confiscated after the communist takeover in 1948 will have the right to claim the restitution of their property within a limited period. What remains will be auctioned off to the public. The second phase will involve large-scale enterprises. Vouchers will be distributed to all Czechoslovaks which will eventually be exchanged for shares in those enterprises. The modus operandi of this exchange, and its timetable, is yet to be determined. The state remains determined to retain at least a 20 - 30 percent stake in these enterprises partly for fiscal and partly for political reasons. The third phase envisages hiving off a group of state run enterprises and transforming them into joint stock companies.

In Hungary the groundwork for privatization was laid down by legislation in 1988, which allowed state enterprises to convert themselves into joint stock companies. This law led to a spurt of "spontaneous privatization" whereby the incumbent managers of the enterprises, reflecting the general political climate, took it upon themselves to sell assets that they were managing. Frequently, these managers --almost invariably former party officials (the

"nomenklatura")-- were selling assets cheaply to foreign investors, supposedly in return for higher salaries and guaranteed jobs.

A law passed in 1989 addressed some of the abuses of spontaneous privatization and established rigorous procedures for subsequent privatization. At present the privatization process is overseen by the State Property Agency, in operation since March 1990. The enterprises will be sold through public or private placements, through spontaneous privatizations, or through employee stock ownership schemes.

Action by the International Cooperative Movement

It is against this background of privatisation proposals and actions that the international cooperative movement is endeavouring to bring to the PCPE's support for the development of the kind of cooperatives which have been and still are successful and important in the mixed economies of the West.

At its recent meeting in May 1991, the ICA Executive Committee approved the initiation of a special ICA programme of support for co-operatives in Eastern Central European countries (ECEC). This initiative was possible thanks to initial financial and other contributions from ICA member organizations in Belgium, Great Britain, Israel, Japan and Sweden, and from the World Council of Credit Unions and its members.

The activities of the programme are designed to be complementary to, and supportive of, the numerous efforts of ICA members. ICA will concentrate essentially on information and policy issues, both of which should support the further development of direct bilateral contacts between cooperative organizations.

ICA's plans for 1991 are the following: preparation of regular newsletters on recent developments; preparation of individual country information notes; convening of regional conference on privatisation and cooperative property; organization of regional seminars on consumer wholesaling, trade and financial services in collaboration with ICA Specialised Organizations; the publication of new Cooperative Acts as passed by parliaments in the region; and policy dialogue with governments.

ICA encourages other member organizations to provide direct support to cooperatives in the ECEC, both through the ICA programme and through bilateral arrangements.

COOP-HOLDING, Hungary, visited GEMA (Groupement d'Enterprises Mutuelles d'Assurance) in Paris on 14-15 May, 1991, to discuss the setting up of a joint cooperative insurance venture.

Organizing cooperative wholesale activities is a priority for



consumer cooperatives in the region, since previously they were obliged to deal with state monopolies. ICA organized a seminar in Budapest on 20-21 June 1991 with help from the host organization AFEOSZ (National Federation of Hungarian Consumer Cooperative Societies) and INTERCOOP (International Organization for Consumer cooperative Distributive Trade) offices in Copenhagen and Budapest.

The ICA Agricultural Committee plans to organize a seminar in November 1991 on the effects of agricultural privatisation and opportunities for cooperative trade.

The Ministry of Ownership Changes has presented an assessment of privatisation efforts in Poland. The document does not discuss the cooperative sector, although it mentions that cooperative societies contribute almost 20% of the country's GNP. There were 13,000 cooperative societies in Poland at the end of 1990; 4,244 in the agricultural sector, 4,491 in housing and 2,411 in the manufacturing sector. Consumer cooperatives are not mentioned in the report.

The lack of clear legislation hinders necessary changes in the cooperative sector. The government promotes independent and democratic cooperatives, but it does not exclude the transformation of cooperative societies into joint-stock companies when appropriate. According to the Ministry, the new cooperative legislation, currently under review, should:

- * ascertain that cooperatives operate as business enterprises,
- * ensure that only members own the cooperatives and that employees can become members only if there is no obvious conflict of interest,
- * ensure that cooperatives are completely independent of the State,
- * ensure that sufficient capital is provided by members,
- * ensure adequate profit sharing among members,
- * allow for the transformation of cooperatives into shareholding companies, and
- * rebuild the regional and national structure that the 1990 amendments abolished.

There are several ongoing projects in the cooperative financial sector in Poland. One reason for this is that this sector was under-developed or repressed for instance cooperatives were banned from undertaking insurance activities, although traditionally, the countryside and small towns were served by

cooperative institutions. After a few months of hesitation, the local banks have decided to revert to old cooperative traditions.

The first cooperative bank was established in Poznan in 1861 as a loan company for Poznan industrialists. Subsequently, several societies were created following Raiffeisen or Schulze-Delitzsch organizational models. After the introduction of the communist system the local banks became members of regional unions which belonged to the National Loan and Saving Association, or to the Agricultural Bank.

In 1975 these two institutions were merged into the Bank for Food Economy (BGZ). Presently there are 1665 local banks located in villages and small towns. They are offering very limited services to farmers and small businesses: revolving loans to finance farm operations, deposits and chequing accounts. The banks used to transfer 60-70% of deposit to BGZ, with the remaining 30-40% lent to members.

In January 1990, the liquidation of the central unions liberated the local banks from compulsory membership in BFG leading to the establishment of several regional unions. At least three different banks have already been set up.

The first to commence operations was the Bank of Socio-Economical Initiatives (BISE) inspired by the Caisse Central de Crédit Coopératif (France). The concept interested Mr. Jacek Kuron, the then Polish Minister of Labour and Social Affairs, as a means to promote the creation of small enterprises and to fight unemployment.

The outline of the project was defined in February 1990 with the help of the Caisse Centrale de Crédit Coopératif (CCCC), which became a shareholder of the bank when it was created in July 1990. The total capital of the bank is 450 billion zlotys, equivalent to roughly \$ 40 million. From August 1990 to February 1991, 433 credit requests were registered and 212 loans granted for a total of 23 billion zlotys. The average size of credits ranges from 10 to 500 million zlotys.

The bank offers counselling services to foreign investors: juridical expertise, translations and the preparation of documents for registration. A joint venture has been set up with CERP Rouen - a wholesaler of pharmaceutical products. In the future the bank would like to become a partner of local cooperative banks which are to separate from the Bank of Food Economy. It is planned also to open a dozen enterprises on a year's trial basis and to issue mortgage bonds for the first time in Polish history.

In March 1990, after having studied cooperative banks in Western Europe, a group of nine cooperative banks from the Poznan region decided to set up a regional bank. Initial assistance was

provided by the Association of Cooperative Banks of the European Economic Community.

One year later no less than 130 local banks organized themselves into five regional unions which joined the core group to form a National Cooperative Bank Union (KZBS). Its aim is to represent the interests of cooperative banks in negotiations with central authorities and to organize a common training programme for staff and elected officials as well as to share experiences and information.

The first initiative of the KZBS was to set up a capital fund which would help local banks obtain the capital required to form a regional bank. According to law, a regional bank should have a capital of 20 billion zlotys to start its activities.

An international conference was convened by KZBS in Poznan on April 13-14, 1991. The meeting was attended by 800 delegates from local banks, representatives of the Polish Government, from cooperative banks in Eastern Europe, USA, Canada, the World Bank and the ICA. It was stressed that priority needs were staff and members training, technical assistance and economics collaboration between foreign and Polish banks. Discussions took place in working groups on cooperative principles, technical assistance and relations with the state. Credit Mutuel from France has signed an agreement on partnership with the Poznan Regional Bank. The agreement provides for setting up auditing services, computerisation, management and professional training for staff.

Bank Unia Gospodarcza, created under the auspices of the Independent Autonomous Trade Union of Individual Farmers ("Solidarnosc"), was recently registered and will start operations soon. It is a regional union of local banks working mainly with small farmers.

The new law on foreign investment, which will override the 1988 Law on Joint Ventures, is under discussion within the Polish Parliament. It will provide for:

- * custom exemption for in-kind contributions to capital,
- * accelerated depreciation,
- * three-year loss carry forward,
- * guaranteed compensation of all losses as a result of expropriation or similar events.

Tax exemption for three years is also under consideration. Land for capital investment could be purchased upon application to the Ministry of Food Economy.

1991 is not going to be an easy year for cooperatives in some republics. In Armenia and Lithuania, the local governments are initiating privatisation bills aimed at selling out not only state property, but also the property of consumer cooperatives. There are strong indications that the parliaments in both republics, which are not very sympathetic to consumer cooperatives, would not hesitate to approve such legislation. The local cooperative unions have recently appealed to the ICA for help.

The ICA President responded with letters addressed to the government of Armenia and Lithuania in support of cooperatives. As a result, the liquidation process has been suspended temporarily, and the ICA has been invited by both republics for a policy dialogue on the future of cooperative development.

In April 1991, ICA and the International Institute for Development, Cooperation & Labour Studies of Histadrut organized a management training seminar for senior cooperative leaders from the ECEC, in Tel-Aviv.

Discussions focussed on the three areas: ownership, members' liability and capitalisation; the cooperative, cooperative law and relations with the State; and democracy, participation and cooperative education.

The participants gained invaluable knowledge from the Israeli cooperative experience and the functioning of labour economy within the market system. The programme included visits to consumers, banking, a agricultural and transport cooperatives.

As a follow up to the ICA Seminar on Cooperative Legislation in December 1990, the Chairman of CICOPA, ICA Committee for Industrial, Artisanal and Service Producers' Cooperatives, obtained the services of an expert to assist cooperative movements in the ECEC to draft new cooperative laws. Bernard Piot, Executive Director of the Caisse Centrale du Crédit Coopératif (France) and Chairman of the European Community Working Party on the Harmonization of Cooperative Law, agreed to undertake this assignment.

The expert visited Budapest from 6-9 January, 1991 to meet with the Chairman and members of the Working Party on Cooperative Law which was set up by the National Cooperative Council. He also met with the Director of the Ministry for Justice, who is responsible for preparing a draft law for submission to the Hungarian Government and Parliament, together with the NCC Working Party.

A new Czechoslovak law on commerce, with a section dealing specifically with cooperatives, is expected to be passed this autumn. A law on agricultural cooperatives was passed in April 1991.

The expert also visited Poland at the request of the Supreme Cooperative Council in May 1991. He was received by the Parliament's ad hoc Group on Cooperative Law. They appreciated his help and requested him to visit Poland again to review to next draft. This will most likely to be in the Autumn, after the parliamentary elections have taken place. A representative of the International Labour Office participated in drafting a new cooperative law. This will be tabled before the new parliament after the forthcoming elections have taken place.

ICA advisers will visit Romania in July to help finalize a new draft law. They recently received a Romanian delegation in Paris.

Central and East European countries are also taking steps to develop credit unions.

3. The Developing Countries

Introduction and Background

This category contains a broad variety of countries and regions having very different historical and cultural backgrounds, social and economic circumstances.

On one hand it is necessary to distinguish between differing levels and types of economic development: newly industrialising countries, oil producing countries, medium income developing countries and least developed countries. On the other hand, the regional divisions are important: sub-Saharan Africa, North Africa and the Middle East, Latin America and the Caribbean, Asia (including the Indian sub-continent and adjacent countries), South East Asia and China, Oceania.

Cooperative development in the developing countries is still very much conditioned by their historical and cultural backgrounds. Latin America, colonised by the sea-going powers of the Iberian peninsular four to five hundred years ago, received virtually no cooperative heritage from this experience, if only because modern cooperatives had yet to be developed in Europe. On the other hand, many indigenous forms of cooperation were practised, and the region was richly endowed with cooperatives of all kinds by immigrants, mainly from Europe, in the late nineteenth and early twentieth centuries. This development of cooperatives in Latin America, as in Europe and North America, was spontaneous and organic. Government was not involved in the early stages.

India and neighbouring countries as well as anglophone Africa

and other countries in Oceania and elsewhere were introduced to modern cooperation as long ago as one hundred years in some cases, by the British. These latter did not merely attempt to transplant their own cooperative forms, but went abroad to find suitable models. They utilised the Raiffeisen experience in many cases, and took the Saskatchewan cooperative legislation as the model for cooperative legislation in all the colonies and dependencies. It is this same legislation which is dominant even today in those countries.

Francophone developing countries, especially in Africa, received their basic cooperative legislation and structures from the French system.

Basically, the modern colonial powers were interested in developing cooperatives for the purpose of bringing the indigenous populations into a cash economy, and encouraging them to produce commodities for export. That is why, in the developing countries concerned, savings and credit cooperatives, and particularly agricultural produce marketing cooperatives were formed in large numbers.

The distinctive feature of cooperatives in these countries was a "top down" systemic approach. The major non-plantation export crops were marketed through nation-wide pyramidal cooperative systems incorporating primary societies, secondary unions, and sometimes tertiary federations for each major export crop. The final export, however, was not entrusted to cooperatives, but to a State organisation, or parastatal, frequently a marketing board. Thus, while at times members of agricultural marketing cooperatives saw very important increases in their standard of living as a result of cooperation¹⁷, ultimately it was the parastatal where the real power lay. On the other hand, one of the policy goals which the colonial governments achieved was to strengthen African rural business and eliminate non-African (Asian) middlemen from produce marketing and money-lending in the rural areas. To this extent, the cooperative heritage of many developing countries which went through this experience may be said to be better than that of other countries, in which produce marketing is still in the hands of private businessmen, and cooperatives have developed in markets peripheral to the fundamental operations of the rural economy and needs of the people. This is the case, for example, in the Philippines, although cooperative rice marketing has begun to take root, amounting to about 10% of the market.

It is interesting that the approach adopted by the market-oriented, western colonial powers was not at all based on the

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For example, the Chagga tribe, in Tanzania, whose coffee marketing cooperatives were rich and powerful in the early 1960's, owning the best real estate in Moshi, and renting space to Barclays Bank and other prestigious tenants.

spontaneous, organic development of cooperatives known at home, but is more similar to that of the Soviet Union and China, at least in its systemic character.

After independence, national governments continued in general to support these structures, which are still in place today, with the same legislation, slightly modified in some cases.

Over the last fifty years, many kinds of cooperatives have been introduced from outside sources in virtually all developing countries. In some of them, the external sources were centrally-planned economies, and in such cases cooperation went a step further, attempting to organise agricultural production itself on a cooperative basis by abolishing private holdings and setting up collective farms.

This brief historical background is intended to sketch out the very different cooperative "heritages" existing in the developing countries, and conditioning present and future cooperative development there.

Future Levels of Investment and Development Assistance

One of the most important questions arising out of the general trends identified in this work is to what extent external investment and assistance to the developing countries will continue in the future, given the huge demands of the PCPE's combined with the difficult situations of the richer countries, affected by trade deficits, public debt and recession.

No doubt the very fact of the external indebtedness of the developing countries as a group will oblige their creditors to remain engaged, if only to restructure old debt. However, it seems likely that there will be a considerable falling-off in the level of assistance, including assistance in the development of cooperatives, except perhaps for the group of newly industrialising countries (for example, South Korea, Singapore, Taiwan, Thailand) which are likely to continue attracting external investment.

Economic and Social Trends

The countries of the developing world, whether having centrally planned or market economies, are virtually all affected by the trends indicated.

The Bergen Symposium, organised by UNRISD in October 1990 on the Social and Political Context of Structural Adjustment in Sub-

Saharan Africa concluded that "the links between economic restructuring, public welfare and political pluralism seem destined to occupy centre stage in the development agenda of the 1990's"

In respect to privatisation, cooperatives may be able to, or expected to, enter the market vacated by government services. They may be an organisational form by which the new unemployed, made redundant by the situation, seek to vertically integrate their self-employment in the market.

Cooperatives previously advised, supervised or even managed by government officials may have to stand more on their own feet and rely on their own membership resources. To the extent that this official involvement was beneficial to cooperative development, this represents a setback. On the other hand, where there was unwarranted interference or substitute management by officials, it could prove a blessing in disguise.

An encouraging trend in Africa and Latin America is the increase of democratic regimes in recent years. In sub-Saharan Africa there have been a number of important changes in political leadership. Perhaps as a consequence of the dramatic events of 1989 in the countries of Eastern Europe, strong opposition to dictatorial regimes has been expressed, and many of these have fallen: in Liberia, Somalia, Chad, Mali, and Ethiopia. Other governments in Gabon, Ivory Coast and Zaire have made concessions to democratic opposition. Important changes have taken place in South Africa. In Burundi, for the first time a government has been formed in which there is a Hutu majority. (Previously, the minority Tutsi maintained power). Political prisoners have been freed in Mauritania, and there are growing oppositions in Kenya, Rwanda, Togo, Benin and Senegal. For the first time in Africa an opposition candidate won elections - in Cape Verde.

An increase in democracy is also noted in Latin America. Most of the dictatorial regimes of the 1980's have now been replaced by more democratic governments. There is no doubt that a general growth of genuine democracy will favour the development of cooperatives and participative institutions.

Reappraisal of Cooperative Development

While there is cause for concern at the prospect of serious reductions in the assistance provided to the developing countries, there is also considerable preoccupation with the results of decades of assistance provided for the development of cooperatives.

The problem is that external assistance, channelled through governments, has perpetuated the "top-down" development of

cooperatives which originated during colonial times. As stated above, the only historical similarity to the top-down formation of cooperatives in the developing countries is the experience of the centrally-planned economies. The present popular rejection of pseudo-cooperatives set up by the State in those countries is yet another reason for reappraising the development experience in the field of cooperatives.

Because cooperatives are owned by broad masses of the population, they may in some cases be viewed with special interest by governments, and perceived as being instruments of development policy. This is, indeed, in full accordance with ILO Recommendation 127, but it is essential to note the spirit of this Recommendation, which was intended to help governments to create a "favourable climate" for cooperatives to be easily formed by people, and to operate on at least the same terms as other enterprises in the market.

Respondents to the study enquiry were asked to indicate whether a climate favourable to cooperatives according to ILO's Recommendation 127 existed. In general, respondents indicated that the situation accorded with the Recommendation. Sometimes this was a recent change, as in Egypt, where privatisation and government disengagement from the cooperatives is welcomed. Singapore reported negatively on conformity to the Recommendation because there was a voting structure in operation designed to enable trade union cooperatives to be controlled by the trade unions themselves.

Many cooperators in the developing countries are concerned about too much government interference in cooperative activities. They feel that cooperatives should not be subject to an "instrumentalist" policy from the authorities, according to which they are required or expected to achieve goals additional to those freely established by their members. At one level, this is because it is already difficult enough to be successful as a member-owned and controlled enterprise, without adding other burdens. At a deeper level, cooperators feel that what they need from government is the creation and maintenance of a "favourable climate" for cooperatives to be able to do business in their members' interest, and that since they are broad-based member-driven businesses, they are inherently of a nature which achieves the sorts of goals government wishes to see achieved, without these being specifically assigned to them. An essential part of this climate is freedom: from red tape, time-consuming procedures, etc.

In the Philippines, the cooperative sector had been initiated by government, so that the growth of cooperatives was traditionally dependent on government policies and assistance. However, an emerging trend is reported for the cooperatives to really function as enabling mechanisms for self-reliance among the poor and needy. After a period of official promotion of cooperatives from above,

there was a period of "benign neglect" to encourage those cooperatives which were competitive to carry on, while pseudo-cooperatives might wither away.

The new legislation brought out for cooperatives emphasizes the very important principle of subsidiarity. This is a concept which should be known and adopted in all countries, as an essential step towards the corrective which is clearly needed in "development efforts". While the government is favourable to cooperatives, and grants at least a level playing field to them with non-cooperative business, cooperatives are for the people to decide about. Government agencies are not supposed to go around promoting cooperatives. In fact, to the usual six principle of cooperation, the new Filipino law adds two more: the principle of subsidiarity, and the principle of self-help. The "Primer on the Cooperative Code of the Philippines"¹⁸ states:

"The principle of subsidiarity means that cooperatives generally must organise, regulate and help themselves, with government assistance only when necessary (Art.2, last par). This is akin to what have been called the principles of self-help and autonomy. This also implies that there must be the least government interference or intervention in the affairs of cooperatives."

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The principle of self-help

"simply means that members of the cooperative must be able and willing to help themselves."

Unfortunately, a proliferation of NGO's and pseudo-cooperatives set up to receive credits and assistance generally is a recent problem.

There is evidence of cooperatives taking over from government in running marketing boards for export crops. In "Cooperative News International"¹⁹, a new development in Uganda is reported in an article entitled "Three Countries Cooperate to break Parastatal Monopoly in Uganda". After 20 years of coffee marketing through the state-owned Coffee Marketing Board, the present administration has moved towards liberalisation of the traditional and non-traditional agricultural export sectors while at the same time initiating effective currency and foreign exchange reforms. In February 1990, the government announced that it would grant export licences to four coffee processing cooperatives, providing they could meet stringent financial and management conditions. The

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By Senator Agapito "Butz" Aquino, Manila, 1990

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"Cooperative News International", Volume 4 No.3., 1991, published by Agricultural Cooperative Development International, Washington, DC, U.S.A.

Uganda Cooperative Alliance, apex organisation of the 5,000 member strong Ugandan cooperative movement, met this challenge by setting up Union Export Services (UNEX). Financial assistance was provided for the new body to purchase from the marketing board grading and sorting equipment necessary for export, and for crop financing. Technical assistance is also provided. This project is carried out through coöperation between the Ugandan government and cooperatives, the Swedish Cooperative Centre, under SIDA financing and ACDI, with USAID funding.

The Brazilian cooperative movement reports an unsatisfactory experience in which the government is causing damage by creating a dependency mentality. The 1988 Constitution prohibits government interference, but members and management are always waiting for government finance and decisions. There are of course big regional differences in Brazil: cooperatives have helped in a growth of inter-regional understanding, but cannot help in the destitute regions, because there are no cooperatives there. There are 1,362 production cooperatives (animal, vegetable, mineral)- mainly agricultural marketing and supply cooperatives with 1.2 million members; 336 consumer with 782,000 members, 196 electricity and telephone cooperatives with 318,175,78 members, school cooperatives with 1,000 members, 472 worker cooperatives (including medical services, transport, dentists,) Credit (Luzzatti, mutual credit, rural credit), with 116,000 members, 263 housing cooperatives with 47,000 members, a total of 3,310 cooperatives active.

Credit unions are probably the type of cooperative that is growing most in the developing countries. This is to a large extent due to the remarkable network of technical assistance set up by WOCCU. Under the umbrella of the African regional credit union body, ACCOSCA, assistance projects operate in Cameroon, the Gambia, Kenya, Mali, Niger, Senegal, South Africa, Togo and Zaire. In Asia, recent activities took place in China, the Philippines and Sri Lanka, and in Latin America in Bolivia, Ecuador, Guatemala and Honduras. Special projects include a focus on microenterprise development, productive lending, and safety and soundness.

4. China

China is the only centrally-planned economy of any significance remaining today. As in the old USSR, cooperatives are a doctrinally prescribed form of business organisation. Until quite recently, it appeared that China was well on the way to a complete market orientation similar to that being adopted in East and Central Europe. However, a strong reaction from the centre has restricted this trend, and China now has the characteristics of an economy in which the people, who have a natural ability for business, make the most imaginative use possible of organisational forms decreed from above, especially cooperatives, thereby making these successful enterprises.

Unlike the Soviet Union and its neighbours, China carried out some very important changes in agricultural organisation, with the result that the unpopular and unsuccessful collectives were superseded by a system giving families considerable incentives to work hard and prosper.

The convention of the Third Plenary Session of the Eleventh Central Committee of the Chinese Communist Party in December 1978 marked a significant turning point in China's post-liberation history.

- The Responsibility System

The most prominent feature of the decisions of this meeting was the introduction of the responsibility system.

In 1981, a radically different type of contract, called the "family farm commitment", was put into effect. Under this new system, the family could sign a contract with the authorities (the commune administration) for the land allocated and was responsible for its own profit and loss, fulfilling a certain number of obligations, such as agricultural tax and the reserve and welfare funds contributions of the collective.

By 1983, nearly 80 percent of all farm families had entered into such agreements, and with another decision of the Central Committee of the Party in 1984, the family leases on the land allocated to them were extended to 15 years or more. Moreover, production facilities were increasingly bought by the private farmers. In 1985, over one-third of all power cultivators and tractors, for example, were owned by private families or groups of families. Farmers were allowed to form "new economic associations", which enable them to pool the necessary resources to launch enterprises and even hire a few employees. Profits were shared accordingly to each family's contribution.

Farmers now have the right to sell their surplus production on the free market once they have met their state quotas. They are even allowed to transport their products over long distances, so as to retail them in cities in other provinces.

- Supply and Marketing Cooperatives

The Supply and Marketing Cooperative network is the largest non-Governmental collective organisation in China with more than 700,000 various business and service units. By the end of 1989, total accumulated owned funds of the SMCs reached 50 billion yuan and total turnover was 214 billion. The number of total individual members is known to be 138 million, accounting for 83 percent of the total rural households. Due to their widespread existence in

rural areas, and being in direct contact with the rural people, they started playing a leading role in implementing the major restructuring policies of the Government.

- Women in Cooperatives

Women, whose status has improved incomparably after the liberation, play an important role in China's rural development. Although not known in figures, the number of women among the SMC members is widely assumed to be very high, and their participation in the daily affairs of cooperatives is increasing. There are at all levels of the SMCs, a number of 4,7 million people working as managers, officials and workers, and more than half of them are women.

- Rural Credit Cooperatives

The Rural Credit Cooperatives, with a number of 58,000 main offices and 330,000 branches, are increasingly becoming popular among farmers in recent years due to their convenient setting and by providing loans for agricultural and sideline production and for private use. According to the figures of the ABC, total amount of loan distributed through the RCCs was over 109,5 billion yuan in 1989.

- Handicraft Cooperatives

By producing well over 40 percent of the total light industry output and employing about 6,9 million people, the handicraft cooperatives, numbering 53,400, have become an integral part of the whole industry, and in addition, specialised in safeguarding and developing the famous Chinese traditional arts and crafts.

- Urban Credit Cooperatives

The Urban Credit Cooperatives (UCC) are a supplement to the Chinese banking system promoted under a division of the People's Bank of China (PBC). It has been customary that the large commercial banks finance the state and collectively-owned business. When the non-state-owned business enterprises started to develop fast, PBC introduced the UCCs in the urban municipalities, to cope with the expanding financial requirements of the communities.

Today there are over 3,000 UCCs in China and these had received 23 million yuan as deposits and given 19 billion yuan as loans as at 30.6.1990. Staff of the UCCs is about 60,000, comprising retired PBC cadres as leaders and younger graduates and undergraduates as ordinary staff.

- *Town and Village Enterprises (TVE's)*

Due to these structural changes, TVEs have been the most dynamic sector of China's economy in recent years. There are now 120,000 such enterprises registered in Jiangsu Province, China's biggest industrial producer, and TVE production has outpaced the state sector for several years. TVEs have also made a major contribution by absorbing surplus labour and creating new sources of income. At the end of 1987, TVEs employed 88 million people - 22,6 percent of the total rural workforce- and accounted for 58 percent of rural domestic product, surpassing the total output value of agriculture.(53) The total number of businesses run by the TVEs reached at the end of 1985 more than 1,5 million, and the percentage of surplus distributed to members was about 80 percent, while tax constituted 11 percent and township and village shares 10 percent.(54)

- *Housing Cooperatives*

The scarcity of public funds for housing has led the local governments to search for new and alternative ways of collecting funds, which could shift the heavy financial burden from the government. The emergence of housing cooperatives is said to be one of the outcomes of new urban development policies.

V. STATUS OF COOPERATIVES

Status in statistics

Most respondents indicated that statistics on cooperatives were inadequate. A major reason was that the information collecting system was not designed to differentiate for cooperative business. Many governments indicated that they would be, or already were, taking steps to improve the situation.

One of the most notable developments is the widespread introduction of computerised information systems. Many governments welcome the idea of technical and financial assistance for the improvement of cooperative statistics systems. Cooperatives, too, should be able to benefit enormously from appropriate computer systems, in fact, creative use of low-cost computer capability can make for better information flows to members, showing them how their capital is being used to provide services.

Market Share

Two points should be made: firstly, that it is unrealistic to evaluate cooperatives' shares in national GDP on a zero to one hundred scale, because cooperatives are limited in their scope of activities by their members' interests and needs. This means that considerable areas of economic activity are normally outside the scope of cooperative activity, although there are sometimes surprises. Thus, for example, it would be necessary to rule out the State sector, and probably the heavy industry and automotive sectors and many other areas, to arrive at a fairer way of measuring the percentage penetration of cooperatives in the market.

The second point is that a certain critical weight of cooperative presence in a market is enough to affect the whole market. This was once estimated at 10% to 12% in a 1960's research on the British consumer movement.

Replies indicate wide divergence on the question of status. In some countries, where cooperatives have a relatively short history, they represent only an insignificant proportion of the gross domestic product, and low percentages of sectoral market shares.

Savings and credit cooperatives, especially credit unions, are amongst the fastest growing in number and resources in the world as a whole. This is likely to continue, particularly as the World

Council of Credit Unions (WOCCU), through its various training activities, informational materials and development programmes, has been placing particular emphasis on the need for credit unions to define themselves as business enterprises. Of foremost concern is the need to adopt interest rate policies consistent with market conditions. A credit union failing to adopt this essential policy will inevitably stagnate and eventually disappear.

Because credit unions were organised in many countries as semi-charitable institutions serving the poor, there continues to be some resistance to a business focus. Some would contend that this is inconsistent with traditional credit union values, particularly the concept that credit union services should be inexpensive so as to be affordable by those of lesser means. Continuing dialogue, information and training will be necessary to demonstrate that an effective balance can be struck between these two objectives.

In countries where cooperatives have a longer history, they represent very sizeable percentages of sectoral and sub-sectoral markets, not infrequently dominating them, as for example in European and North American farmer-owned agricultural cooperatives.

The following selected statistics give an idea of the versatility of cooperatives in the market:

The overall market share of the cooperative banks in the European Community is 17%

The French *Crédit Agricole* is the world's largest non-Japanese banking network

European workers' cooperatives employ more than 700,000 workers: of these over 50% is represented by the Italian cooperatives, and nearly 30% by the Spanish workers' cooperatives.

A G.E.I.E. (European Economic Interest Group; a Community business entity) has been set up jointly by the Basque cooperative FAGOR (which belongs to the Mondragon group) and the French group Thomson. Together, the new entity should cover about 10% of the European electro-domestic market.

European consumers' cooperatives in the food business: 31% of the Danish food market, nearly 8% in U.K., and 4% in Italy and Luxembourg.

The agricultural cooperatives of the Community represent more than 720,000 jobs, of which 71,000 are in Italy, 130,000 in France, and 136,900 in Germany.

More than half of European agricultural production is harvested, processed or sold through cooperatives. The dairy

industry is the most important cooperatively, varying in 8 states from 60% to 90%. In Ireland, practically all the milk is handled by cooperatives.

In several countries, over half of the marketing of wine, grains, and animal foodstuffs is handled by cooperatives.

In Belgium, cooperative pharmacies account for 10% of the total number, and supply 20% of the population.

In Italy, 8% of pharmacies are social (municipal pharmacies), and their market share is 10%.

Although only 1% of pharmacies in France are cooperative, they nevertheless supply 5% of the population.

In Europe, the 30 largest dairy groups handle more than 80% of sales of dairy items. Half of these are cooperatives.

In Cyprus, about 35% of national savings are on deposit with savings and credit cooperatives.

In the United States, cooperatives have an overall share of U.S. exports of 11.7%. Over 40% of nuts and nut products are exported by cooperatives, 31.8% of fruit and fruit products, 25% of cotton, and nearly 15% of grains and feeds.

The Norwegian consumer cooperative movement is the largest commercial chain in the country, and has a 25% share of the national market.

In Finland, 25% of people's deposits are with cooperative banks, and 26% of loans are made by cooperatives. Cooperatives are responsible for 47% of national food production, 98% milk, 70% meat, 69% eggs, 58% grain, 56% agricultural requirements and 25% of timber. The cooperative Pellervo group's operations represent 10% of gross domestic product.

Danish agriculture, two-thirds of which is for the export market, is dominated by cooperatives, with percentages up in the nineties for milk and butter, pigs, furs and fishmeal. Twenty percent of housing is cooperative, and consumer cooperatives have 33% of the retail market.

In Gambia, over 80% of the national export crop, groundnuts, is handled by cooperatives.

Legislative and Policy Status

The potential social and political importance of a business sector which is owned and controlled by those who use its services

is such that cooperatives are given a place in the Constitutions of a significant number of countries, including Italy, Philippines, Brazil, Ecuador, Egypt,

— Under the Constitution of most countries there is legislation facilitating the establishment of cooperatives and regulating their activities.

There may be an inverse relationship between the amount of legislation affecting cooperatives, and the freedom and strength of cooperatives. Denmark, a country famous for its strong and efficient cooperative development, has no cooperative law, and in general the legislation, policy and practice of governments in the countries where strong cooperatives have been established for a relatively long time impinge far less on cooperatives than in many developing countries, where all-encompassing legislation goes hand in hand with generally weaker cooperatives, dependent on government for assistance.

Two main styles of legislation dominate the scene: the anglo-saxon, and the latin. The latter is more prone to complex codification, whereas the former has a minimalist tendency, as exemplified by the Danish cooperative law and the British Constitution. However, as mentioned, the British managed to find quite an uncharacteristically comprehensive cooperative legislation for the Empire without having to go further than Saskatchewan.

In at least one country, the principle of political neutrality of cooperatives is enshrined in the legislation with the addition that it is prohibited for political matters to be discussed in cooperatives. If, as could easily be the case, official farm produce prices were considered a political question, members of farmers' cooperatives would be in a difficult position.

It is noteworthy that many respondents indicated that the legislation was inadequate, needed revising, or that it was currently being redrafted, or had just been revised. This coincides with the increased demand on specialists of the ILO and Universities to provide technical assistance for new cooperative legislation.

Clearly, a good deal of this new activity is the result of changes in East and Central Europe. But it is interesting to note that radical changes in government policy and legislation are occurring in many countries outside Europe, in Latin America, in Egypt, Guinea, Yemen, Madagascar, the Philippines, and other countries.

ILO Recommendation 127

Most governments stated that the status of cooperatives was in complete conformity to Recommendation 127, although there were

exceptions (for example, Singapore, in the question of trade union owned cooperatives).

However, it is possible for the Recommendation to be interpreted by government in a paternalistic way, and for a generally unsatisfactory status of cooperatives to be reported as conforming with the Recommendation. An example is Brazil, where the national cooperative organisation reports that cooperatives have developed a mentality of dependence on government.

The ILO is aware of this problem, and one of the tasks of the Panel of Experts will be to re-examine this instrument, which has been in operation for over twenty years.

Financial Cooperatives

Legislation and policy affecting financial institutions is at the centre of government preoccupations throughout the world, as a result of huge indebtedness and numerous bank collapses.

The situation of financial cooperatives (savings and credit cooperatives, credit unions, cooperative banks and cooperative insurance) is particularly crucial. On one hand, they are liable to be subject to new regulations brought about by the recent imprudence and unsoundness of part of the nationally and internationally operating financial sector. On the other hand, financial cooperatives are often amongst the safest and soundest institutions in the financial marketplace.

Credit Unions, represented through world regional organisations and the World Council of Credit Unions (WOCCU), have one of the best cooperative global information systems and give the most articulate expression to the global concerns of financial cooperatives. It is therefore worth recording in some detail their perception of the situation with regard to trends, status and role.

On the role of Government: In several industrialised countries, governments adopted a policy of deregulation with respect to all financial institutions. Because of problems that arose outside the credit union sector, governments then moved, and are moving, towards increased, and potentially onerous, regulation. The unique character of credit unions, and the distinctive services offered, are threatened by this trend.

In many developing countries governments still maintain a very heavy-handed and paternalistic stance towards credit unions. This inhibits credit union growth and development by both removing decision-making authority from the local level, and by stifling the development of local leaders and managers. Additionally, by defining its role in this manner, governments often fail to adequately carry out critical regulation and supervisory functions.

The desirable role of governments is the development of appropriate legislation, and government regulations and policies to support, rather than constrain, the growth and development of credit unions.

On the question of safety and soundness, credit unions, along with other types of financial institutions, have not been unaffected by the conditions of high inflation, unemployment and economic recession that have plagued many countries in recent years. In addition, credit unions have not been immune to instances of fraud, embezzlement and corruption on the part of their own leaders and managers. In several cases, members' savings have been seriously eroded or completely wiped out. Confidence in all types of financial institutions, including credit unions, has been affected. In order to restore member confidence, credit unions must implement procedures that will eliminate threats to member savings from internal, controllable factors, and at the same time diminish the impact on members' savings resulting from external, non-controllable conditions.

Having regard to the transformation to market economies, events taking place in Eastern and Central Europe and in the Republics of the USSR, indicate, among other things, a radical restructuring of the financial marketplace. Most countries are seeking immense amounts of foreign investment in an effort to overcome the severe shortage of capital. Yet capital can be mobilised domestically, if appropriate vehicles are established. As shown in many countries around the world, credit unions can play an important role in not only mobilising domestic savings, but in instilling the value of personal thrift.. With the appropriate governmental legal and policy framework, dramatic new opportunities could be opened for expansion of the credit union idea.

In an increasingly competitive environment, institutions that fail to respond to market forces are unlikely to survive. Credit unions will by necessity be required to adopt market rates of interest and provide an array of savings and loan products, in order to remain viable economic entities. At the same time, they must not lose sight of the fact that, as non-profit, member-owned and controlled institutions, serving low and middle income families, they represent a viable alternative to traditional financial institutions. Maintaining the balance between a business focus and the traditional focus on member needs will be a challenge for credit unions in the years ahead.

In view of the globalisation process, and the way in which non-cooperative business is able to form multinational groups, the questionnaire was designed to obtain any available information about the possibility of multinational cooperatives being registered. In general, no national legislation contemplates such a possibility. Reasons given include the statement that there was

no demand for such legislation, and more commonly, that national legislation required that members of a cooperative be citizens of the country, or, in some cases, that they be residents.

The difficulty of registering international or trans-national cooperatives is also mentioned in the section dealing with cooperatives in the process of European integration, where present arrangements are considered unsatisfactory for cooperatives wishing to participate in the economic integration process.

In fact, it appears that there is a generalised obstacle to cooperatives doing business on an international basis, since in all reported cases, cooperatives have been obliged to adopt the joint-stock corporation model for international business. The question may be asked, since all governments recognise the right of individuals to form cooperatives, and for those cooperatives in turn to set up secondary cooperatives, and even confederations, why is it that these cooperatives are not able to create international cooperatives? The answer is that each country restricts the right to form a cooperative to resident nationals and sometimes resident aliens.

In fact, since cooperatives normally start at local level, this has not been historically a question with which cooperatives have concerned themselves. On the other hand, non-cooperative business has for decades been making the best use of such possibilities to improve the economic efficiency of their international operations, and sometimes for fiscal reasons. This means that cooperatives might have to form non-cooperative conglomerates in the same way as non-cooperative business if they want to compete in globalising markets. While this may work, it would seem reasonable to carry out research into this question, and if necessary to take action to secure a situation in which cooperators and their cooperatives might establish trans-national cooperatives instead of being obliged to seek non-cooperative forms of incorporation at this level.

Status in the Eyes of the People

This is a complex issue to treat on a global basis. In the countries where cooperatives are well established, the public image is reported to be generally positive, but cooperatives are probably under-appreciated, for various reasons. The first is that different sectors of the population may be more aware of a particular type of cooperative (for example, agricultural cooperatives in rural areas, and consumer cooperatives in urban areas), and less aware, if at all, of other types. Added to this is the striking fact that different types of cooperative in these countries do not join forces economically or in some cases even at policy and public relations levels; they do not form a system. Moreover, memberships are generally not enthusiastic about the kind

of expenditure on image-projecting and publicity which the rest of the private sector goes in for, so the result is that the cooperative phenomenon is usually much bigger than is generally realised by the national public. Young people are reported from some countries in this group (for example, Great Britain) to be uninterested in cooperatives.

The under-realization of an enormous potential for economic synergy between different types of cooperatives operating in different business sectors, as well as the potential power of combined memberships was found to be one of the biggest areas for improvement in the Canadian cooperative movement, for example²⁰. And it might have been said of virtually any of the countries where cooperatives are well established.

This indicates that cooperatives and cooperative movements in different business sectors are not putting into practice the principle adopted by the ICA of "cooperation amongst cooperatives". This is a short-sighted policy; the benefits from making common cause would in many cases far outweigh the perceived difficulties, and might be far beyond what cooperators could imagine.

In many developing countries, and in all the previously centrally-planned economies, the status of cooperatives in the eyes of the people is low, and attitudes are negative. Many governments and national cooperative movements of developing countries with market economies reported this low status, but implied that it was only with regard to the cooperatives of the previous regime that this was so. However, it seems likely that this may be too optimistic a view of the people's attitudes. It is sometimes heard from development workers in developing countries that one can no longer use the word "cooperative" because of negative associations, and that new words have to be used. Sometimes registration is avoided in order to evade red tape and interference.

For obvious reasons, information from governments and formal cooperative movements about unregistered cooperative-type groups in the informal sector was scanty. It is however, interesting to note that while some welcomed the initiative of people in the informal sector getting together, others perceived it as a bad thing. One respondent indicated that unregistered cooperatives were "not allowed". In Ghana, informal associations (for example, of canoe-fishermen) were found to be most useful.

VI. ROLE OF COOPERATIVES

Service to Members

The fundamental role of cooperatives is to provide their members with the goods and services they require at cost price, due regard being had for prudent capitalisation.

Humanising Influence in the Market

In doing this, they perform a secondary, but sometimes even more important role in affecting favourably the whole sectoral or sub-sectoral market in which they operate. They can and should act as a "leaven" in the open market, influencing it, through economic efficiency, in favour of the producers or consumers who are its members, rather than in favour of third party investors whose interest is a maximum return on capital invested. In this way, financial cooperatives improve the quality of the market, making it more human, more democratic, less polarised.

Lobby Role

While economic performance is an essential part of fulfilling this role, even in a free market in which prices are determined by supply and demand, government policies can and certainly do influence supply and demand, so that it is common practice in many countries for interest groups, including representatives of cooperatives, to be active in lobbying government to obtain the kind of policy which is favourable to their memberships.

The fact that cooperative memberships are large should, in itself, convince government to be sympathetic to reasonable demands from cooperatives. This is more than a legitimate activity of cooperatives for their members, it is a responsibility. Cooperatives should work together with constructively inspired non-economic associations with the same constituency as their members (for example, farmers' organisations and consumer councils), and they should practice a wise division of labour, leaving the more political issues to the bodies formed for that area, and concentrating on the needs of their membership, and of their cooperatives. These will be more economic than political.

Diffusion of Technology

Many respondents stressed the important role of cooperatives in introducing and diffusing technology, especially in rural areas. A positive collaboration with government has very often been developed through the joint work of agricultural and livestock research stations, government extension services, and cooperatives, whose natural membership diffusion channel is ideal for passing on practical technological innovations rapidly and at no cost. In this, cooperatives play a most important role for the state and for society.

As Interlocutors

Cooperatives, and informal groups, are useful and even necessary to government in order to communicate at local level with the populace, especially in rural areas and in developing countries generally, on economic and commercial matters. The government of Ghana, for example, finds informal groups "most useful" in this respect.

As Good Ecologists

Cooperatives are widely viewed by most respondents as pursuing policies and acting in a positive way with regard to the environment.

Role of Volunteers

The extraordinary importance of volunteers (unpaid members of Boards and committees) in all kinds of cooperatives, and their training and experience, is at the same time an very important asset to any society, and a channel through which individuals may learn to express and develop their capabilities for constructive group work. This is particularly important for women, who are reported from many countries and in many sectors of the cooperative movement not to have been able to play the role of which they are capable.

School Cooperatives

In many countries, cooperatives of different kinds are part of the school experience for children, who learn in a practical way how to do business fairly in a group. There is no doubt that this is a most valuable form of practical education.

Consumer-Owned Public Services

In many countries, notably in North and South America, but also in other regions, public services are organised on a cooperative basis, including electricity, telephones, and water. There can be no doubt that this is a role of great potential, since it is inherently more democratic for such public services to be owned by those who use them.

Financial Cooperatives

Financial cooperatives, including credit unions, savings and credit cooperatives and cooperative banks, play an extremely important role in mobilising local savings and in bridging the gap between national banking systems and the less privileged who do not have access to the more formal system, as well as in serving memberships who do have access to the banking system, but prefer to deal with their own cooperative financial institution.

The Credit Union movement is quite specific on the role of their cooperatives, and in what the constraints are that tend to inhibit better fulfilment of that role. National credit union federations and regional confederations in Africa, Asia, Latin America and the Caribbean are interacting with national government officials on a regular basis to redefine the role of government with respect to credit union organizations. The World Council, in collaboration with the U.S. National Credit Union Administration, recently sponsored an International Regulators' Conference, with the participation of government from all corners of the world.

This is a long term programme, requiring continuing policy dialogue. Government officials are usually very reluctant to disperse powers, and often believe that credit union leaders and members lack the knowledge, experience and discipline to manage themselves. This paternalism often prevents governments from defining a role more suited to actual needs, related to supervision and examination. Continuing interaction between movement and government officials, as well as training programmes seminars addressing this topic is needed to resolve this issue.

WOCCU has recently mounted a major initiative to improve credit union safety and soundness. Model legislation, regulations, operating policies, byelaws, audit guides, etc., will be developed to assist movement organisations. Training programmes and technical assistance missions will focus on implementing these practices.

Credit unions have often been viewed as informal financial institutions, and frequently lacked both the internal incentives, and the external requirements to implement practices that would protect member savings, and instill confidence in the institution.

The challenge facing the international movement is to establish the requisite internal controls and procedures, and to encourage effective oversight by public regulatory bodies.

Assistance in Market Orientation

One of the most essential roles of cooperatives at this moment is to assist in developing fair and equitable economies in the countries undergoing a change from centrally planned to market economies.

Two categories of cooperative are involved here: new cooperatives of all types to be set up in those countries (and to the extent possible, reformed cooperatives already existing), and successful cooperatives from countries with mixed market economies, who have a valuable role to play as catalysts and conveyers of experience.

For the financial sector, again the World Council of Credit Unions is active in this role. Over the last two years, WOCCU has explored the possibility of organizing private sector credit unions in several countries of East and Central Europe; plans are most advanced in Poland and Hungary. Utilising the diverse resources available through the international credit union movement, assistance strategies have been defined, in collaboration with representatives of the respective countries, to promote the credit union idea.

In most countries, the populace is only familiar with the State-dominated cooperatives of the previous regimes. There is little familiarity with authentic private sector cooperatives; as a result, there may be considerable suspicion and distrust of credit unions and other types of Western cooperatives. In addition to overcoming these attitudinal conditions, many countries must promulgate the necessary legislation to enable credit unions to be organised and operate effectively.

Preservation of National Traditions and Culture

An important role of cooperatives is the encouragement and maintenance of national traditions and culture. This is recognised by a number of governments. The Government of Ghana, for example stated: "Government is highly aware of cooperatives' contribution to the preservation of traditional culture, hence directs assistance to this area, for example, handicrafts." The Government of Nepal also considered that the role of cooperatives in preserving indigenous traditional culture could be very significant.

VII. CONCLUSIONS AND RECOMMENDATIONS

UN International Year of Cooperatives

There was strong support for the proposal that the year 1995 be declared International Year of Cooperatives. The government respondents of a considerable number of countries indicated that they supported this proposal; the final version of this study will list all governments supporting it, and the other items below.

There was also support for the proposal of an International Decade of Cooperatives, the decade preferred being 1995 - 2004, though this was less strongly supported than the Year.

UN Global Effort Towards Cooperative Development

Strong support was also recorded for the proposal that the United Nations System, through its public information services, engage in a global promotional effort advocating the strengthening and extension of the cooperative sector, in conformity with existing resolutions of the General Assembly.

Training and Technical Assistance

There was considerable demand for and support of an intensified programme of training and technical assistance, with the support of COPAC members.

Computerised Cooperative Statistics Programme

COPAC members should assist a number of countries improve their national and sectoral statistics-gathering systems, and those of the cooperatives, by means of systems analysis and assistance in installing low-cost computerised systems. Cooperative development agencies, and development agencies in general, including especially development banks, should support this measure, since information is at the heart of globalisation and of capital flows, and it is in the common interest that the cooperative option be at least as fully articulated on an international inter-cooperative exchange of information basis at least as well as non-cooperative private business is, to facilitate international cooperative trading, investment, and technical assistance flows, across all compass bearings of the planet. Low-

cost computer systems should be coupled with fax facilities and disk exchange. System design should take into account information requirements in accordance with development trends, for example, in collecting gender-specific information on cooperative activities.

Cooperation Between Cooperatives

In view of the fact that cooperation between cooperatives is an important principle, internationally recognised, and moreover, since studies and experience show that insufficient attention is paid to this goal, it is strongly recommended that national cooperative organisations in various business sectors make every effort to develop policies for joint presentations, representing their combined memberships, of the cooperative point of view on relevant issues to the public and to government, and further, that these same organisations make every effort to develop cross-sectoral economic synergy.

Large Scale Cooperatives

Special attention should be paid to the situation of cooperatives which are large enough to participate in global activities, in order to achieve the following:

(a) design of systems to maintain membership interest, participation and loyalty;

(b) new methods of capitalisation which avoid the "solution" of converting to non-cooperative forms of ownership, including a new look at the principle of limited interest on members' shares which could focus more on modern concepts of discounted cash-flows rather than the notion of "return on capital"²¹, and the view put forward by Dr. Booke that interest on members' shares need not be a matter for a separate principle, but may be looked upon as a question subsidiary to the broader one of how members allocate their surplus²².

International Cooperatives

Research and possibly joint action should be carried out with a view to securing legislative facilities for cooperatives to form trans-national economic bodies of a specifically cooperative nature, and in this way to be able to participate in global markets

21 See, for example Evaluation of Cooperative Development: an Introductory Overview" by T. Eastwood, P. 13 ("Capital in Cooperatives: a Special Case?")

22 Report on the work of the Basic Values Committee to the ICA Central Committee Meeting in Berlin, October, 1991.

as cooperatives. In this connection, the recent proposals for a comprehensive European Cooperative Societies Act should be most strongly supported and studied for wider application outside Europe.

School Cooperatives

Because of the accelerated speed of economic and social change, it is more than ever important that young people understand how to organise their own cooperatives. It is therefore strongly recommended that the considerable experience of many countries in introducing practical cooperation into school activities be made available through United Nations and other agencies to all governments, in order that they may make the best use possible of this unique way of preparing future citizens for a constructive and self-reliant role in the economy.

Preservation of National Traditions and Culture

It is recommended that the role of cooperatives in the encouragement and maintenance of national traditions and culture, already recognised by a number of governments, be emphasized in the international technical assistance and training programmes of United Nations and other agencies, and that specific case studies and guidelines on this be prepared.

Assistance in Market Orientation

One of the most essential roles of cooperatives at this moment is to assist in developing fair and equitable economies in the countries undergoing a change from centrally planned to market economies. It is most strongly recommended that United Nations, other COPAC members, international, regional and bilateral financial institutions and all cooperatives and cooperative development agencies make every effort to allocate adequate resources to this end.

Consumer-Owned Public Services

In line with privatisation and related policies currently in operation, and as an important move towards economic democracy, it is strongly recommended that governments study the possibility of converting existing public services into cooperative organisations, owned by the consumers of the services. In doing so, the considerable experience of rural electricity cooperatives, telephone cooperatives and water distribution cooperatives should be studied.

Improvement of Cooperative Development Policies in Developing Countries

In view of the serious problems observed in many cooperative development policies and programmes in developing countries, and particularly considering the worldwide rejection of pseudo-cooperatives which is a major outcome of the changes in East and Central Europe and other regions, it is most strongly recommended that the global effort in the field of cooperatives indicated above take as its point of departure the challenge of eliminating pseudo-cooperatives and devising assistance modalities which do not create dependency and false cooperation. A major field for this is clearly legislation, and here it is recommended that the Philippines model, which insists on the related principles of subsidiarity and self-reliance, be widely diffused and utilised.

Women in Cooperatives

Increased participation of women in cooperatives should be universally encouraged. Where appropriate, economic activities in which women are the main or only people involved should be organised on a cooperative basis. Statistics about cooperatives should be designed to give gender-specific information, as a way of measuring the extent of women's involvement.

Credit Union Recommendations

The following specific recommendations for the development of credit unions and other cooperatives were made by WOCCU:

- * Active involvement of the United Nations and related organisations in policy dialogue with national governments. Such dialogue would attempt to encourage governments to reassess their policies with respect to credit unions and other cooperatives. It would encourage government to discontinue the traditional paternalistic relationship, adopting instead a progressive stance that encourages local leadership and control, while carrying out essential supervision and regulatory functions;

- * International conferences and seminars sponsored by United Nations and/or its related organisations, focussing on the means to enhance the long-term viability of cooperatives and credit unions through the adoption of sound business practices;

- * Policy statements issued by the United Nations and its related organisations supporting the use of credit unions and other cooperatives to assist in the transformation process to market economies taking place in Central and Eastern Europe;

- * Research studies sponsored by United Nations and/or its related organisations on the evolving role of credit unions

and other cooperatives in a rapidly changing political, economic and social environment.

ANNEXES

ANNEX ILIST OF RESPONDENTS**A. COUNTRIES**

United States of America
Pakistan
Colombia
Bulgaria
Poland
Ethiopia
Nepal
Singapore
Philippines
Malaysia
France
Finland
Denmark
Syria
Egypt
Greece
Cyprus
Honduras
Venezuela
Peru
Ecuador
Israel
Tuvalu
Madagascar
Brazil
India
Ghana
Cape Verde
Jordan
U.K.

B. ORGANISATIONS

IFAD
INSTRAW
UNRISD
UNHCR
UNDP
WORLD BANK
UNDRO
UN Centre for Human Rights
UN/ESCAP
UNCHS (HABITAT)
Centre Pan-Africain de Formation Cooperative

ANNEXE II

ICA WORLD MEMBERSHIP BY REGIONS
number of organizations and
individual members

651,307,616 INDIVIDUALS
 191 NATIONAL ORG.
 8 INTERNATIONAL ORG.
 79 COUNTRIES

as per July 8, 1991

AFRICA

26 ORGANIZATIONS
 18 COUNTRIES

1	Botswana	61,000
1	Cote D'Ivoire	213,405
5	Egypt	3,850,000
1	Gambia	106,000
2	Ghana	1,099,002
2	Kenya	3,000,000
1	Lesotho	57,058
1	Liberia	1,000
1	Mali	4,447
1	Mauritius	125,000
3	Morocco	21,793
1	Rwanda	965
1	Senegal	838,000
1	Somalia	53,950
1	Tanzania	640,463
1	Uganda	980,076
1	Zaire	1,500
1	Zambia	500,000

NORTH & SOUTH AMERICA

21 organizations
12 countries

9	Argentina	6,048,642
1	Brazil	3,223,031
2	Canada	12,000,000
1	Chile	600,000
1	Colombia	1,383,300
1	Guatemala	257,063
1	Honduras	137,990
1	Jamaica	271,719
1	Mexico	344,385
1	Puerto Rico	713,433
1	Uruguay	398,500
1	USA	60,000,000

ASIA and the PACIFIC

57 ORGANIZATIONS
23 COUNTRIES

1	Afghanistan	140,204
1	Australia	2,700,000
2	Bangladesh	9,000,000
1	China	132,000,000
1	Fiji	30,574
12	India	156,000,000
1	Indonesia	8,492,197
2	Iran	8,693,493
1	Iraq	1,200,000
9	Japan	43,696,870
1	Jordan	47,435
1	Korea d.p.r.	1,510,000
3	Korea Rep of	2,000,000
2	Kuwait	143,094
6	Malaysia	1,732,620
3	Pakistan	2,960,448
3	Philippines	735,851
1	Singapore	450,000
4	Sri Lanka	4,212,161
1	Syria	94,000
1	Thailand	3,169,311
1	Viet Nam	20,000,000
1	Yemen Arab Rep.	12,450

EUROPE

85 ORGANIZATIONS
26 COUNTRIES

3	Austria	3,144,827
4	Belgium	2,725,967
2	Bulgaria	1,942,000
4	Cyprus	287,533
1	Czechoslovakia	3,925,883
3	Denmark	1,173,774
5	Finland	2,095,503
7	France	17,199,631
4	F.R.G.	9,705,000
1	Greece	814,864
5	Hungary	4,692,910
1	Iceland	45,968
3	Italy	7,134,400
1	Israel	1,540,274
1	Netherlands	1,000
5	Norway	1,218,600
1	Poland	15,000,000
5	Portugal	2,240,591
1	Romania	14,976,698
7	Spain	2,672,205
6	Swaden	4,269,000
3	Swizerland	1,306,714
5	Turkey	8,204,516
5	Uk	8,192,000
1	Ussr	58,000,000
1	Yugoslavia	1,506,000

Source: number of individual members is taken from Annual Reports provided by organizations: In some cases numbers are stimated.

INTERNATIONAL ORGANIZATIONS IN MEMBERSHIP OF THE ICA

NAME OF ORGANIZATION	LOCATION OF SECRETARIAT	NO OF COUNTRIES	NO OF SOCIETIES	NO OF IND. MEMBERS	ACTIVITY SECTOR
COLACOT	Bogota'	23	39	2,500,00	union of work coops
SIDEFCCOOP	Buenos Aires	9	16	4,041,540	financing of coops
OCA	Bogota'	17	n/a	n/a	regional apex union
CCC-CA	San José	1	30	500,000	regional apex union
NAF	Copenhagen	5	6	2,025,300	joint purchasing
UCI	Paris	-	-	-	coop. university
ICPA	Doornrecht	n/a	28	n/a	supply of oil product
WOCCU	Madison	79	12	73,549,960	saving & credit coops

"n/a" - data not available
 "-" - does not have associate members

SELECTED STATISTICS

The overall market share of the cooperative banks in the European Community is 17%

The French *Crédit Agricole* is the world's largest non-Japanese banking network

European workers' cooperatives employ more than 700,000 workers: of these over 50% is represented by the Italian cooperatives, and nearly 30% by the Spanish workers' cooperatives.

A G.E.I.E. (European Economic Interest Group; a Community business entity) has been set up jointly by the Basque cooperative FAGOR (which belongs to the Mondragon group) and the French group Thomson. Together, the new entity should cover about 10% of the European electro-domestic market.

European consumers' cooperatives in the food business: 31% of the Danish food market, nearly 8% in U.K., and 4% in Italy and Luxembourg.

The agricultural cooperatives of the Community represent more than 720,000 jobs, of which 71,000 are in Italy, 130,000 in France, and 136,900 in Germany.

More than half of European agricultural production is harvested, processed or sold through cooperatives. The dairy industry is the most important cooperatively, varying in 8 states from 60% to 90%. In Ireland, practically all the milk is handled by cooperatives.

In several countries, over half of the marketing of wine, grains, and animal foodstuffs is handled by cooperatives.

In Belgium, cooperative pharmacies account for 10% of the total number, and supply 20% of the population.

In Italy, 8% of pharmacies are social (municipal pharmacies), and their market share is 10%.

Although only 1% of pharmacies in France are cooperative, they nevertheless supply 5% of the population.

In Europe, the 30 largest dairy groups handle more than 80% of sales of dairy items. Half of these are cooperatives.

In Cyprus, about 35% of national savings are on deposit with savings and credit cooperatives

In the United States, cooperatives have an overall share of U.S. exports of 11.7%. Over 40% of nuts and nut products are exported by cooperatives, 31.8% of fruit and fruit products, 25% of cotton, and nearly 15% of grains and feeds.

The Norwegian consumer cooperative movement is the largest commercial chain in the country, and has a 25% share of the national market.

In Finland, 25% of people's deposits are with cooperative banks, and 26% of loans are made by cooperatives. Cooperatives are responsible for 47% of national food production, 98% milk, 70% meat, 69% eggs, 58% grain, 56% agricultural requirements and 25% of timber. The cooperative Pellervo group's operations represent 10% of gross domestic product.

Danish agriculture, two-thirds of which is for the export market, is dominated by cooperatives, with percentages up in the nineties for milk and butter, pigs, furs and fishmeal. Twenty percent of housing is cooperative, and consumer cooperatives have 33% of the retail market.

In Gambia, over 80% of the national export crop, groundnuts, is handled by cooperatives.

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WHAT IS COPAC?

AN INTER - AGENCY COMMITTEE

COPAC is an inter-agency Committee established in 1971 and linking three United Nations agencies and four international non-governmental organizations, namely:

- The Food and Agriculture Organization of the United Nations (FAO)
- The International Cooperative Alliance (ICA)
- The International Federation of Agricultural Producers (IFAP)
- The International Federation of Plantation, Agricultural and Allied Workers (IFPAAW)
- The International Labour Organization (ILO)
- United Nations (UN)
- The World Council of Credit Unions (WOCCU)

The Committee aims to improve coordination of members' activities for the promotion of cooperatives in the developing countries. Close relations are also maintained with many non-member agencies active in this field.

COPAC maintains a small Secretariat in Rome.

COORDINATED ASSISTANCE

The essential function of COPAC is to promote coordinated assistance to cooperatives in developing countries. COPAC itself does not provide capital or technical assistance, although most of its individual member organizations do so. COPAC will, however, assist, whenever possible, in suggesting a suitable form for submitting projects to funding agencies. For this purpose, it published a Guide for the Preparation of Cooperative Projects.

INFORMATION SERVICE

COPAC publishes a Bulletin giving the latest information on the activities of members and other organizations, and on cooperative development projects.

The COPAC Directory of Agencies Assisting Cooperatives in Developing Countries contains details of over 300 organizations with short profiles of each and a geographical matrix indicating the presence of these agencies in the developing countries.

A series of Cooperative Information Notes on individual countries was initiated in 1979. By 1990, about thirty countries were covered.

These information services are being computerized to create an electronic data bank of information about cooperatives in the Third World, and the agencies and projects supporting them.

SYMPOSIA AND CONSULTATIONS

In addition to the regular six-monthly COPAC Committee meetings, occasional symposia and consultations are organized on themes relating to cooperative development. Participants - cooperative leaders, officials of development agencies, civil servants, researchers - come from both developed and developing countries, thus ensuring a fruitful two-way exchange. One example was the International Symposium on Food Aid and Cooperatives organized by COPAC and the World Food Programme and hosted by United Nations and UNIDO in Vienna, 1988.

RESEARCH

COPAC also promotes action-oriented research on the role of cooperatives in economic and social development. The Secretariat may be called upon to draft documents or engage in research in circumstances where a variety of cooperative interests and viewpoints must be taken into account impartially. COPAC has, for example, assisted in the preparation of the United Nations Secretary General's report on member countries' experience in promoting cooperative development, in a UNDP Programme Advisory Note and in evaluation of UNDP cooperative development projects, and in a UNIDO paper on Industrial Cooperatives in Latin America. COPAC members and Secretariat have also been active in holding a series of consultations with the World Bank concerning the role of cooperatives in development projects.

WOMEN IN COOPERATIVES

With support from the United Nations Fund for Women, COPAC has established a special resource centre for women in cooperatives. A collection of reference material on women in cooperatives is maintained, and selected materials are extracted and sent in response to enquiries. A bulletin ("Meeting Point") is issued and distributed free to COPAC's listing of women leaders in cooperatives. Liaison is maintained with focal points for women's activities in member organizations and elsewhere. Special publications have been prepared on the subject of women in cooperatives, and COPAC has collaborated with UNIFEM in carrying out field appraisals of projects in Latin America. In addition, COPAC has helped in arranging for women's participation in a number of seminars and meetings.

FUNDING

COPAC's Secretariat is funded by members' contributions. In addition, financial support for the development of the information service and for research and symposia has been provided by various organizations, including:

- The Canadian Cooperative Association
- La Société de Développement International Desjardins
- La Société de Coopération pour le Développement International
- United Nations Trust Funds
- The OPEC Fund for International Development
- United Nations Industrial Development Organization
- The Swedish Cooperative Centre
- United Nations Fund for Women