

# The Fourth Critical Study on Co-operative Legislation & Policy Reforms in the Asia Pacific Region

2012

Commissioned as part of the related activities to  
The 9<sup>th</sup> Asia Pacific Cooperative Ministers' Conference,  
27–29 February 2012 held in Bangkok, Thailand on:  
'Enabling Co-operative Legal Environment  
& Policy for Sufficiency Economy'

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Asia and Pacific

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## ABOUT THE BOOK

The Fourth Critical Study on Co-operative Legislation and Policy Reforms in the Asia-Pacific region is a continuing effort on the part of ICA Asia Pacific to sensitize its members – the national co-operative federations/apex bodies and through them, the respective Governments about the need to carry out reforms in co-operative laws and policies to create an enabling environment for growth of co-operatives. The study gives a hard look at the extant laws, policies and institutions designed to promote co-operatives and in doing so has emphasised the need to develop a strategic vision for the co-operatives to emerge as a sector balancing the state, and private/corporate sectors to protect the larger interest of the society and especially the vulnerable sections of its population. The ongoing global economic crisis underscores the urgency of adopting a dynamic approach to position co-operatives in all activities which influence the well being of the masses and not just as a third sector in the economy and with sustainable development as its objective. This is in keeping with the concept of 'Sufficiency Economy' developed by his Excellency the King of Thailand which was the theme of the 9th Asia Pacific Cooperative Ministers' Conference at Bangkok held from 27-29 February 2012 in which this study was presented. Briefly stated the study found that most laws and policies of member countries are not ICA Congress 1995 Co-operative Principles-compliant and therefore require major changes and in positioning of institutions for supporting co-operatives with finance, management, capacity building and technology back up. This calls for an international mobilization for co-operatives as envisaged in the UN Declaration of 2012 as the International Year of Co-operatives.



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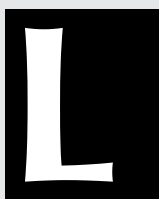
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## List of Abbreviations

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1. ACFSMC: All China Supply and Marketing Co-operatives
2. ADB: Asian Development Bank
3. ANGKASA: National Co-operative Organisation of Malaysia
4. BRDB: Bangladesh Rural Development Board
5. CDF: Co-operative Credit Society Co-operative Development Fund (Bangladesh)
6. COPAC: Committee for the Promotion of Co-operatives
7. DCCB: District Central Co-operative Bank National Co-operative Policy (Malaysia)
8. ESCAP: Economic Planning Unit Economic and Social Commission for Asia Pacific
9. FAO: Food and Agricultural Organisation of the UN
10. FARDA: Federal Land Development Authority
11. GDP: Gross Domestic Product
12. HRD: Human Resource Development
13. HUDCO: Housing and Urban Development Corporation
14. ICA-AP: International Co-operative Alliance -Regional Office for Asia and the Pacific
15. ICC: Iranian Chamber of Co-operatives
16. ICIS: ICA Co-operative Identity Statement
17. ICMF: International Co-operative and Mutual Insurance Federation

18. ICT: Information and Communication Technology
19. IDACA: Institute for the Development of Agricultural Cooperation in Asia (Japan)
20. IIM: Indian Institute of Management
21. ILO: International Labour Organisation of the UN
22. IMF: International Monetary Fund
23. IRU: International Raiffeisen Union
24. JA: Japan Agricultural Co-operatives
25. JA-ZENCHU: Central Union of Agricultural Co-operatives of Japan
26. JCCU Japanese Consumers' Co-operative Union
27. JCCU: Consumer-Co-operatives (Japan)
28. JJC: Japan Joint Committee of Co-operatives
29. LKIM: Ministry of Land and Co-operative Development (Malaysia)
30. LSP21 Institute for Indonesia Co-operative Development Studies
31. MAFF: Ministry of Agriculture, Forestry and Fisheries, Japan
32. MoU: Memorandum of Understanding
33. MPCs: Multi-Purpose Co-operative Society
34. MSCS: Multi-State Co-operative Societies Act (India)
35. NABARD: National Bank for Agriculture and Rural Development (India)
36. NACF: National Agricultural Co-operative Federation, Korea
37. NCCF: National Co-operative Consumers Federations
38. NCF: National Co-operative Federation (Nepal)



- 39. NCP/DKN: Malaysia National Co-operative Policy (Malaysia)
- 40. NCUI: National Co-operative Union of India
- 41. NGO: Non-Governmental Organisation
- 42. NHB: National Housing Bank
- 43. NPAs: Non-performing Assets
- 44. NPC: National People's Congress (China)
- 45. PACS: Primary Agricultural Co-operative Society
- 46. PCARDB: Primary Co-operative Agriculture and Rural Development Bank
- 47. PDS: Public Distribution System
- 48. R&D: Research and Development
- 49. SCARDB: State Co-operative Agriculture and Rural Development Bank
- 50. SCB: State Co-operative Bank
- 51. SMCs: Supply and Marketing Co-operatives (China)
- 52. UCCS: Union of Consumer Co-operative Societies (Kuwait)
- 53. UN: United Nations Organisation
- 54. WOCCU: World Council of Credit Unions
- 54. WTO: World Trade Organisation



# **F**oreword

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Since its inception, a major endeavour of the ICA Asia Pacific has been to advocate reforms in co-operative laws and policies to continuously improve the environment for co-operatives to function efficiently and to expand their reach. This naturally entailed a review of laws, policies and practices adopted by governments and as a part of this process, ICA has been facilitating interaction between Governments and the co-operative movement in the region through the Asia Pacific Co-operative Ministers' Conference and regional consultations since 1990 apart from undertaking Critical Studies of co-operative laws and policies periodically. The first and second critical studies formed the basis of deliberations for the fourth, fifth and sixth co-operative Ministers' Conference and generated ideas for positioning the co-operatives in the national economic policies of the Governments of the region. The 3rd Critical Study (2004) was undertaken in the backdrop of ILO resolution No. 193 adopted on June 3, 2002 on promotion of co-operatives and the UN resolution in 2001 laying down what might be called guidelines for putting in place a legal and

policy framework conducive to the growth of co-operatives. The study was undertaken essentially to assess the outcome of reforms initiated in countries following the declarations and recommendations made in the previous conferences and highlighted matters which warranted intervention of the government.

The 4th Critical Study has been undertaken in the background of the global economic meltdown in 2007-2008, the continuing crisis in the Euro zone raising questions about the very future of Euro, unemployment and uncertainty about growth momentum in the US economy – factors which influence the economies of the Asia Pacific region and the declaration of 2012 by the UN as the International Year of the Co-operatives. These developments have generated rethinking of the role of co-operatives, not as a third sector of the economy only but as a sector balancing the market forces by its larger presence in the economy which alone, it is argued, could restrain the speculative profit driven activities. Since this potential of co-operatives has remained unutilised, it is time

to look at co-operatives from the strategic perspective. Keeping this in view, the terms of reference of this study emphasise doctrinal research in respect of co-operative laws and policies and not just updating the status of co-operatives in different countries but identification of core issues which need to be addressed for a larger role of co-operatives.

I am indeed very pleased to note that this study has been essentially an inhouse effort at ICA Asia Pacific office at New Delhi and carried out in a very short period by hard and dedicated work and limited visits to four countries by Mr. Rangan Dutta, Senior Consultant, a former member of the Indian Administrative Service and Secretary to the Government of India with very able support of Ms. Savitri Singh, Advisor – Gender, ICA-AP,

Mr. P. Santosh Kumar, Programme Officer and Ms. Neela Sharma of our Delhi Office.

I also take this opportunity to express our thanks and gratitude to the Governments of Philippines, Sri Lanka, Japan and Iran for facilitating the study visits to their countries, and the valuable assistance rendered by the departments dealing with co-operatives and various co-operative federating bodies.

I do hope that the Study will be useful to both policy-makers and implementing functionaries in the Governments and co-operatives to develop a strategy for an expanded role of co-operatives.

**Dr. Chan Ho Choi,**  
Regional Director

# P

## reface & Acknowledgements

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It is not any easy task to acknowledge the help and the willing support that I have received from so many in the course of preparation of the 4th Critical Study of Co-operative Laws and Policies of countries of the Asia Pacific region of the ICA.

First of all, I would like to thank Dr. Chan Ho Choi, Regional Director, ICA Asia Pacific, New Delhi for firming up succinctly the terms of reference for the study keeping in view the present global socio-economic reality and the challenges faced by the co-operative movement. He also gave me insights into the actual working of co-operatives in developed as well as developing countries based on his long years of experience as a researcher in farming systems, an executive of co-operative institutions and as activist fighting for the cause of co-operatives at international forums. I owe a lot of debt to Mrs. Savitri Singh, coordinator-9th Asia Pacific Co-operative Ministers' Conference and Advisor Gender Programs and Communications, ICA Asia Pacific, for helping me and providing me with materials including expert views on the role of co-operatives. However, I am responsible

entirely for any omission that may be noticed in the report.

The 4th Critical Study is somewhat different from the three previous ICA Critical Studies as it has been essentially an inhouse effort of the ICA AP and with short visits to four countries, namely, Philippines, Sri Lanka, Japan and Iran and apex co-operative institutions including National Co-operative Union of India, India. However, Law and Policies of 17 countries have been reviewed in a manner of doctrinal research and not a status report of co-operatives in the region. The accent of the report is thus on analysis and interpretation and assessing the strengths and weaknesses and to what extent the laws and policies conform to the seven cardinal ICA Principles of Co-operative Identity 1995. As may be seen in the Executive Summary that most of the laws and policies of countries of the region are still to be reasonably ICA Principles Compliant and co-operative movement has a long way to go to secure a strong base to act as a balancing sector in the economy between the market, state and the social forces. In the year 2012 which is being observed as the

International Year of Co-operatives by the United Nations, the time seems appropriate to initiate the process of reform with the objective of positioning the co-operatives firmly in the economies of the region. The 4th Critical Study is a humble attempt to contribute to this process.

Space will not permit me to mention the tremendous support that I had received from so many dignitaries and experts during my country visits and I take this opportunity to thank them all. However, it is my duty to place on record the warm welcome and generous support in terms of study materials and time given to me to discuss the role of the co-operative sector in their countries that I had received in Iran from Dr. Ghulam Hossein Hosseininia, Hon'ble Minister Co-operatives, Iran and Faculty Member, Tehran University, Mr. Dariush Pakbin, Secretary General, Iranian Central Chamber of Co-operatives and Mr. M. R. Raeisi Nejad, Managing Director, Central Union of Rural and Agricultural Co-operatives of Iran (CURACI) and Mr. Hiroshi Sasaki Deputy Director, Ministry of Agriculture, Forests and Fisheries (MAFF), Government of Japan Mr. Nagato Yuzo President, JWCUMr. Akira Banzai President, JA-ZENCHU, Mr. Katsumi Asada President, JCCU and Dr. Shuitsu Hino Vice President, Japanese Health and Welfare Co-operative Federation in Japan and Dr Emmanuel M. Santiaguél Chairperson, CDA and Mr FED Caingles Director, Institutional Development Department, CDA in Philippines and Mr. Sunil Sriseena Secretary, Ministry of Cooperation and

Internal Trade, Mr. M Priyantha Mayaduna, Additional Secretary, Ministry of Cooperation and Internal Trade, Dr. Sunil Silva General Secretary, National Co-operative Council of Sri Lanka while in Sri Lanka.

I am thankful to Mr. P. Santosh Kumar, Program Officer, ICA AP for tirelessly going through the text and making valuable additions and suggestions and to Mrs Neela Sharma for painstakingly providing the secretarial support and to Mrs. Sabitha Venkatesan for the documentation support and my son Ritwick Dutta, Environment lawyer and author of several books on Environment Law and Environmental Governance for drawing my attention to landmark court judgements on co-operatives.

While preparing this report my mind went back to my first stint in the Department of Agriculture, Government of Assam in the early 1970s under the tutelage of Mr. R. Natarajan, then Secretary, Agriculture, etc departments, Government of Assam, a distinguished member of the Indian Administrative Service and later an International Civil Servant who initiated me to the basics of agriculture, co-operatives and rural development. This has been invaluable - in my later assignments related to agriculture, rural and tribal development, and now in conceptualising the Critical Study I shall remain ever grateful to him for his guidance.

**Rangan Dutta**

Indian Administrative Service (Retd.)  
Senior Consultant, ICA-AP

# T

## he Executive Summary

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1. The terms of reference of the Critical Study of Co-operative Laws and Policies limiting the exercise to matters which have “ a bearing on varied socio-economic and cultural aspects reflecting the priorities of the governments of the countries” of the Asia Pacific region are indeed broad. The study, therefore, has to first contextualise the subject with a review of the leading issues of co-operative law and policy in the globalising economy and society as attempted in Chapter I in the light of the core philosophy, values and institutions of co-operative movement as embodied in the ICA Co-operative Identity Statement 1995, ILO Resolution No. 193 of 2002 and the UN Declaration of 2001 and keeping in view the UN Declaration of 2012 as the International Year of Co-operatives.
  - 1.1 The global economy has been passing through a period of turbulence since 2007-2008 with the onset of the financial crisis caused first by the ‘sub-prime’ crisis in USA, collapse of US financial behemoths and spread of the contagion to several countries of Euro zone, notably Portugal, Italy, Greece and Spain leading to slow down in growth, rising incidence of unemployment, high prices and contraction of global trade and consequent hardships and unrest in the developed world as reflected in protest movements in USA and Europe. Its fallout in the developing countries has been significantly slowing down growth momentum even in China and India due to fall in export growth, continuing high oil prices and ‘inflation’ induced fall in domestic demand and capital formation with rising unemployment.
  - 1.2 Unbiased and empirical studies of these developments have established the need for appropriately powered State Regulatory Institutions and laws to restrain the markets and mechanisms that encourage growth of ‘speculative’ and ‘crony’ ‘capitalism’. J. Stiglitz the distinguished economist and others have argued that failure to restrain markets by the state and the fact that growth has not really trickled down to

**The global economy has been passing through a period of turbulence since 2007-2008 with the onset of the financial crisis caused first by the ‘sub-prime’ crisis in USA.**

benefit the common people are matters of grave concern of the world today. It has also been observed that the potential of co-operatives as member controlled, democratically managed, risk averse form of 'business enterprise' chiefly oriented to welfare of individuals and not run by a few large investors as in most large corporates has been 'overlooked' as an alternative form of mobilisation of capital and management of all types of enterprises-manufacturing as well as service. Thus, if revamped and restructured, with reforms in laws, policies and improved support systems, *the co-operatives in developed and developing countries could play the role of something more than a Third Sector, that is, acting as a sector 'balancing' the private, speculative capital based corporates and the State enterprises* contributing thereby to financial and price stability, employment generation, social security and poverty alleviation. This approach to co-operatives as a strategic sector is bold and recognising that it is nascent yet developing, the Critical Study has taken

**The co-operatives in developed and developing countries could play the role of something more than a Third Sector, that is acting as a sector 'balancing' the private, speculative capital based corporates and the State enterprises**

it as the touchstone and attempted to examine the country co-operative laws and policies in terms of first, degree of compliance with the ICA principles and sharp deviations and then capability of acquiring strength, diversification to act as strategic sector of the economy.

2. Chapter II deals with the status of implementation of the Declaration and Recommendations of the 8th Conference of Co-operative Ministers held at Kuala Lumpur on 12-15 March 2007 and contains a summary of responses received from the governments and ICA AP members to two sets of questionnaire sent to the ICA AP members in September 2011 (Annex I & II with explanations and supplementary questions). Lack of any feedback after the 8th Conference of ICA AP suggests the need for follow-up and a Management Information System as the responses were received not from the governments except Bhutan and Japan's Ministry of Agriculture, Forests and Fisheries but from Co-operative Federations from only 4 countries. The annexures were framed to update the status of co-operative laws and policies keeping in view the current global economic scenario and the concerns of 2007 Kuala Lumpur Conference about fair globalisation and the expanded "role of co-operatives in dealing with the multidimensional impact of globalisation" and reflect the 'advocacy' part of the ICA AP activity. Notwithstanding the limited response, good progress has been reported such as the enactment of Co-operative Code 2009 in



Philippines containing the seven ICA Principles of Co-operative Identity and laying down elaborate rules and procedures for specialised co-operative activities in 20 sectors, e.g. agriculture and fisheries and the Co-operative Amendment Act 2009 of Bhutan and the co-operative policy reforms measures in Sri Lanka, inclusion of the Right to form co-operatives as a fundamental right in the list of Fundamental Rights in the Constitution of India, the Co-operative Development Plan 2011-2016 of Philippines, the Iranian Plan to raise the share of the co-operatives in the national GDP from the present 9% to 25% by 2020, the Japanese Basic Plan for food and agriculture and rural areas for ensuring food security and the important role assigned to co-operatives in the national effort may be rightly viewed as outcomes of the advocacy of ICA-AP.

- 2.1 The reported decision of the Government of Sri Lanka to formulate a National Co-operative Policy and to enact a new Co-operative Act is a positive development. Similar steps have been initiated by the Government of Nepal. Under the amended co-operative law of Bhutan, membership to insurance co-operatives is open to socially oriented Non-Profit Organisations and at least 15 registered co-operatives and NPO's may organise insurance co-operatives together with 'farmers groups' which have been brought within the ambit of Primary Co-operatives. These new provisions have the effect of providing legal and policy sanction to bring about

co-operative-NGO partnership and broadening the base of co-operatives In Bhutan.

3. The findings of the Study are contained in Chapter III. It has three parts- the first dealing with the emerging issues in co-operative law, the second, a brief review of co-operative laws and policies of 17 member countries of ICA AP and the third, a summary of conclusions.

- 3.1 The concept of 'Sufficiency' economy developed by the King of Thailand was the theme of the Bangkok Conference laying down a practical approach to co-operative led sustainable development because any move to limit use of natural resources and human consumption according to the carrying capacity of the earth and ecosystem requires fullest participation of the community based on consensus which could be possible only through the co-operatives and suggests an integrated co-operative law based on Seven ICA Principles of Co-operative Identity. In most countries however, there exists what may be called 'dichotomy' of laws, because more than one set of laws with sharply varying degrees of 'Compliance with ICA Principles' seem to operate creating legal environment uncongenial to proper growth of co-operatives as a 'strategic' or balancing sector. In this connection, the landmark orders of the Supreme Court of India in two cases cited in Chapter III are important for the study because the order in the Andhra Pradesh Dairy Development Co-operative Federation case brought out how

the operation of two co-operative laws – a new law substantially ICA Principles compliant and the old law providing overriding powers to the state could stifle the growth of co-operatives. The order in the other case establishes the scope of the 'right to form association' as a fundamental right which is the foundation of co-operatives and the interpretation of 'voluntary' character of co-operatives extending to the right of the co-operatives to restrict membership to 'like-minded persons'. This differentiates 'co-operatives' from state sponsored 'collectives' which are often passed on as 'co-operatives' in some country laws of 'socialist' governments. It follows that unless the right to form co-operatives is guaranteed in the constitution, the co-operatives cannot have any strong foundation. In the year 2012- the UN international Year of the Co-operatives, it will be worthwhile to highlight these two aspects calling upon the governments to remove the dichotomy and formulate one comprehensive co-operative law as in Philippines inclusive of sector specific provisions and incorporate 'the right to form association' as a constitutional right.

- 3.2 The brief review of co-operative laws and policies of 17 countries, selected at random reflect that law/policies of most countries are at the most partially ICA Principles compliant as only few country laws/policies such as those of Japan, Philippines, Bhutan, Korea, Thailand and Malaysia contain legal provisions and institutions designed to promote growth of professionally

managed and viable co-operatives covering diverse and expanding sectors. Noting the symbiotic relationship between laws and policies, the study has observed that most co-operative policy statements issued by Governments from time to time remained inoperative because these were not backed by changes in laws or improvement in support systems, Hence, the need for creating institutions like the Co-operative Development Authority in Philippines or its Co-operative Development Plan 2011-2016; Co-operative League of Thailand or the Agricultural Economic Area Defined, under the Agricultural Economics Act 1979 in Thailand; the Iranian Central Chamber of Co-operatives; the National Co-operative Organisation of Malaysia (ANGKASA), National Co-operative Council of Sri Lanka in every member country where it does not exist presumably due to the government's reluctance to allow freely autonomous bodies to grow. The ICA may take up this issue in its continuing government co-operative dialogue and carry out country specific co-operative sector reviews.

- 3.3 It is also noted that in a number of countries the co-operatives operate in the manner of 'guided' co-operatives with government holding share capital and controlling its activities and stifling healthy growth of co-operatives in the process. To create awareness about deficiencies in laws and policies in such situations, it may be useful to suggest a model ICA Principles compliant law and then launch 'advocacy drive' to in-

introduce reforms. Keeping this in view, a 'copy of model co-operative law' circulated by the Government of India urging all states to adopt this law as 'cooperation' is a state subject in India as in Sri Lanka has been incorporated in this study (**Annexure-V**). No such model policy could, however, be developed as it has to be necessarily country specific. However, a Co-operative Development Policy might as well underscore the widely felt experience that the future of co-operatives lies not in small co-operatives taking up one or two activities for a handful of members but in 'expansion with consolidation and diversification' by facilitating growth of large, professionally managed co-operatives in diverse fields and capacity to bring Self-Help Groups, Micro-finance institutions and such other social action groups and particularly those active in conservation and environment fields such as Water Users associations in irrigated areas within the ambit of co-operatives by suitable changes in laws and policies.

- 3.4 To even formulate these basic reforms what is needed first is the political commitment to co-operatives and an administrative arrangement to ensure that it is put into practice. A good example of the first step is the clear policy statement and direction of the Sri Lankan President, HE Mr. Mahinda Rajapaksa as quoted in Chapter IV and it is felt that the second condition suggests that co-operatives be placed in the office of the Prime Minister or the President so that the subject re-

ceives the importance as a 'Strategic Sector of the Economy'. The idea of a single nodal Ministry at the Federal and the State level in case of a country like India seems appropriate to develop integrated laws and policies and to bring about 'coherent synergy' in the activities of co-operatives in different sectors.

4. The issue of 'internal governance' of co-operatives has been examined in country specific studies and it is noted that despite adherence to concepts of 'autonomy' and 'member controlled' 'features of co-operatives', in practice, the Board of Directors in a number of countries such as Iran, Cambodia and Vietnam are subject to multiple supervision over and above their accountability to the general body. These anomalies should be removed as a part of capacity building efforts including training of co-operative officials in management of enterprises, accounting, etc.
- 4.1 In previous Co-operative Ministers Conference building strategic alliance with private and public corporates was stressed and also floating of joint stock companies, by large co-operatives as

**The future of co-operatives lies not in small co-operatives taking up one or two activities for a handful of members but in 'expansion with consolidation and diversification'**

subsidiaries. There are some outstanding success stories in this sphere in Japan and India. This study suggests a cautious approach as it is felt that while considering strategic alliance between co-operatives and private corporate sector its terms must be so worked out as to maintain the co-operative character ensuring that the benefits are passed on to co-operative members. In the same manner floating joint stock companies with base capital from co-operatives and supplemented by sale of shares in the capital market must be so structured as to preserve the co-operative hold and avoid take over by 'other' share holders. The need for strict laws regulating 'demutualisation' of co-operatives was stressed in the recommendations of the 8th Ministers Conference and must be followed up to prevent privatisation of social and co-operative assets. Most country laws in this regard merit a closer examination and stricter provisions.

- 4.2 Once the 'strategic role' of co-operatives is recognised, it becomes apparent that the extant financial systems established to promote co-operatives have been far less 'broad based' or innovative as compared to the financial

**To even formulate these basic reforms what is needed first is the political commitment to co-operatives and an administrative arrangement to ensure that it is put into practice.**

institutions created to support the corporate sector. During country visits and discussions, the co-operators appeared to favour constitution of a Special Purpose Vehicle (SPV) in the form of a Bank to provide multiple financial service to the co-operatives which the existing Co-operative Development Banks are unable to provide. The need for a SPV in all but the developed economies like Japan and Korea where co-operatives have emerged as strong self sustaining sector arises from the fact that historically, co-operatives in most developing countries were unable to mobilize significant savings from members and form capital on their own. Consequently, the seed capital generated by such co-operatives could attract neither institutional finance nor enable them to provide essential production loans like crop loans to the members. Thus the classical model of Robert Owen's co-operatives based on Thrift and Mutual help did not succeed in small and marginal farm or poor artisanal household dominated rural economies in most countries of Asia. This led to state intervention in the form of contribution to share capital or loan from co-operative banks backed by refinance facilities provided by the Central Bank or its subsidiaries which enabled these Primary Agricultural Co-operative societies to provide credit to members and in the process attracted state interference, regulation and control which have been institutionalised in most countries. The prospects of local resource mobilization by primary level co-operatives look dim even now because in the wake of

liberalisation of the economy, there are financial institutions competing for tapping such savings with attractive terms and instruments. As this situation is unlikely to improve, there is a need for SPV in the form of a bank especially set up to meet the credit and investment needs of co-operatives much in the pattern of banks for developing industries particularly small industries e.g. Industrial Finance Corporation or small Industries Development Bank of India.

4.3 In the matter of taxation, the co-operatives face widely varying tax regimes from no tax on profits in Kuwait to lower taxation (22%) on profits in Japan as compared to 30% payable by other enterprises and does not seem to be part of a total package of incentives which is necessary to promote co-operatives as a balancing sector. On the other hand, the tax exemptions, rebates and concessions in various forms to corporates are huge and continuing and often run close to the total tax receipts of a country in post liberalisation era even when such countries like India are facing large fiscal deficits.

5. As country visits were limited to four countries due to various constraints, the reports in Chapter IV do not reflect the overall status of co-operatives in the Asia Pacific Region. However, there are certain trends which seem to reflect the co-operative thinking and actions. In Philippines there is strong evidence of awareness about the adverse consequences of globalisation in the form of high prices, unemployment and priva-

tisation of common property resources which caused hardships for the masses. There has been commendable effort to position 'co-operatives' as an important sector. The enactment of Co-operative Code 2009, the formulation of Co-operative Development Plan 2011-2012, the dynamic role of NATCCO and MICOOP, NATCCO Department of Agrarian Reform Collaboration Programme to enable erstwhile landless farmers to start remunerative farming, the revamped role of Co-operative Development Authority and other innovate programmes suggest that the co-operatives in Philippines are on a high growth path geared to expand its already diversified activities despite weakness in some sectors like consumer co-operatives.

5.1 In Sri Lanka, the position is also promising with the strong state commitment to reform the co-operatives (the President of Sri Lanka was himself a leading co-operator) by a new policy and law and institutional support to COOPFED as an agency to maintain price stability. The active role National Co-operative Council and the Constitution of National Co-operative Development Fund to take up schemes to develop co-operatives including staff training, capacity building of members, etc suggest a continuing expansion of co-operatives into diversified activities such as health and education. The SHG movement has been growing in Sri Lanka – mainly women led and active in micro-finance with strong linkage with Banks and have the potential to get into lending

for crops, livestock, handicrafts and handlooms. The co-operative leaders and officials feel the need to bring the SHG's within the ambit of co-operative movement.

5.2 In Iran, growth of co-operatives has been accorded a high priority in the constitution and the co-operative law has been so formulated as to make co-operatives an instrument of social mobilisation, a means to achieve equity, justice, avoidance of concentration of wealth and transfer of modern agricultural technology to farmers and agro-processing industry. This is a clear direction for co-operatives for future growth as the state plans to raise the co-operatives share in GDP from 9% as of now to 25% in the near future and this will mean expansion of co-operative membership from the present level of 40 million under 1,70,000 co-operatives to a level comprising the majority of the population. No country in the region has such an ambitious plan of co-operative development though it seems essentially a 'guided', 'state sponsored' growth. State policies such as proposed transfer of housing assets to co-operatives is one such measure that will vastly increase the role of co-operatives in the economy. The supporting institutions like ICCC, CORC, CURACI and the Co-operative Development Bank have been equipped with infrastructure and professional capacity to promote growth of co-operatives in diverse fields. On the whole an Iranian model of co-operatives seems to have emerged despite heavy state control

which may be relevant to West Asian countries facing issues of rural development, growth of Rural Non Farm Sector and technology application to generate employment opportunities in farm and non farm sector.

5.3 The base of Japan's Co-operatives has been the large multipurpose agricultural co-operatives which have evolved into about 700 co-operatives with 40% associate members and 9.5 million members in total who are not agriculturists though they live in rural areas. The vast reach of Consumer Co-operatives, the Health Co-operatives, the Workers Co-operatives, the Insurance Co-operatives and their manifold activities, financing arrangements reflect their unique strength and the ability of the Japanese Government to support the co-operatives through different ministries and sectoral laws there being no single nodal ministry of co-operatives or a comprehensive law for all types of co-operatives. There has been, however, a demand for a comprehensive law from Japanese Workers Co-operative Union on the ground that the increasing share of 'contingent' labour, currently estimated at about 1/3rd of the total workforce and the rising population of aged persons which is projected to go up from 18% now to 25% of the total population in 2050 call for a flexible, and comprehensive law. The federating co-operative bodies in Japan such as JA-ZENCHU for agricultural co-operatives, JCCU – Japan for consumer co-operatives have been playing a vital role in their fields-marketing and pro-

cessing of agricultural produce and making available consumer goods at a reasonable price and are involved in the policy making process by the Government.

The co-operatives in Japan are on a very strong footing. Currently, the main concern seems to be the 'food security' as Japan is only 40% food self sufficient and hence, keen to avoid larger dependence on imports by consolidating the agricultural co-operatives which are now facing labour shortage due to 'shrinking population' and steadily rising trend among the rural youth to 'opt out' of agriculture. What is to be noted by other Asian countries is the 'strategic role' accorded to agriculture in Japan, (despite its current low share in the GDP), because of the high volatility in global food market faced with the rising urban food demand. There is thus a need for a review of agricultural growth strategies keeping in view the imperative need to strengthen the small farm agriculture by productivity increase while maintaining soil fertility and water resources and promoting, rural non

farm sector and its value added activities. This new thinking on agriculture merits study by all member countries especially those facing food security problems to avoid being carried away by the neo-liberal model of urban-technology-service led growth for the simple reason that most people in large nations in the region would continue to live in rural areas and depend critically on rural economy for basic survival needs.

6. The Critical Study, though carried out in a brief period with limited field visits, has compelling evidence that the recent experience of 'globalising' economy influenced by 'neo-liberalism' suggests that co-operatives must come out of its role as 'an adjunct', third sector to market-corporate led economy and occupy a space, broad and deep enough to enable its diversified activities to play a 'balancing' role on regular basis to develop what J Stiglitz calls a 'creative economy'. This is possibly the road to reform and reinvent the co-operatives and realise the dream of the founding fathers of the co-operative movement.





# **L** leading issues of Co-operative law and Policy in the Globalising Economy and Society

1. The Terms of Reference of this study indicate preparation of a critical analysis of the co-operative laws of countries of the region that has a 'bearing of varied socio-economic, cultural and political practices' as its main objective and that the basis of the critical study document is essentially 'doctrinal research' on laws and policies governing co-operatives and reflecting the priorities of the respective governments. The Oxford Dictionary meaning of the word 'critical' is "expressing or involving an analysis of the merits and faults of a work or situation or problem." This suggests some points of reference or parameters to evaluate for analysis and not just a pure academic study to mention what the ideal law or policies for co-operatives should be to achieve optimally the objectives of the co-operative movement as enshrined in philosophy in the work of Robert Owen and Rochdale Principles or ILO Resolution No 193 of 2002 and the UN Declaration of 2001. However, much one may wish to do, such an exercise will be hit by the fast changing

ground realities of the second decade of 21st century posing new challenges in the globalising post industrial world. A better course, therefore, seems to be to limit the scrutiny to the impact of implementation of existing laws and policies, their proven inadequacies and the degree of compliance with the core principles and practices underscored in the aforesaid ILO/UN Resolutions and Declaration of the 8th Asia Pacific Co-operative Ministers' Conference held at Kuala Lumpur, Malaysia in March 2007 ending with suggestions for changes in laws and policies for consideration of the conference of Co-operative Ministers scheduled during February-March 2012 at Bangkok.

**The Oxford Dictionary meaning of the word 'critical' is "expressing or involving an analysis of the merits and faults of a work or situation or problem".**

- 1.1 The UN Declaration of 2012 as the International Year of the Co-operatives has added a special significance to the conference at Bangkok in the light of widespread rethinking on the role of co-operatives as a preferred mode of economic enterprise that is intrinsically (i) averse to risk and speculation (ii) member controlled and democratically managed based on the principles of equality with accountability to members and (iii) oriented to socio-economic well being of the members, their families and women and children in particular and are therefore not driven by profits as in corporates which mostly function solely to enhance the profits of a small group of promoters and investors who really command and control these corporate bodies. This was evident from the collapse of several huge corporates and financial behemoths since 2008 in the developed world and their total lack of concern and disregard of its adverse fallout in the form of massive privatization and unemployment endangering livelihood security of millions of common people in these countries. It is thus argued that in the euphoria created by the advocates of globalisation, the strong points of co-operatives were overlooked by most countries in the economic reforms process aimed at expanding its market orientation which had, for want of legal and constitutional support to the co-operatives, caused either shrinkage of space for co-operatives or significant reduction or stagnation in its activities. This must change now, this study has argued, for a more secure and better future for mankind.
- 1.2 To develop a perspective for revamping co-operatives in the coming decades, a hard look at the global socio-economic scene indicates following disquieting features:
  - 1.2.1 As reported in the World Press, the European Commission, the economic watchdog of the European Union warned on 10/11/2011 that "Eurozone will grow only by a paltry 0.5% in 2012." Growth has thus stalled in Europe and there is a risk of a new and prolonged recession, possibly double dip and complemented by continued market turmoil which could hit the global economy hard particularly the countries of Asia and the Pacific region because of their dependence on European exports.
  - 1.2.2 The persistent high incidence of unemployment in US of over 9% for several years, absence of any real income growth for the masses over three decades, massive and widening inequality, lack of social mobility have given rise to 'occupy wall street' movement which has now spread to many cities of the developed world raising demands for a new global economic order based on effective social control and regulation of speculative capital flows, destabilising financial instruments and products like the derivatives, etc. The slogan 'we are the 99%' raised at Wall Street, Noble laureate economist Joseph Stiglitz pointed out, has its "brutal factual" basis – the trickle down of growth to prosperity did not happen and most Americans are worse off today than they were in 1995. There is a world-

wide demand for price stability, income-employment-health security and opportunities for education and social advancement on a huge scale both in developing and developed countries. Specifically the sluggish growth of US economy has cast its shadow on prospects of developing countries.

1.2.3 Since the last decade of post liberalisation period, most developing countries of Asia and Pacific such as India have been facing rising inflation, sluggish employment if not 'jobless growth' and ever shrinking labour demand in the organised sector. Volatile capital markets have added to the uncertainty and woes of the middle class. Moreover-high prices of food coupled with rapidly adverse terms of trade for agricultural and rural households have compounded socio-economic stability and raised questions about sustainability of capital intensive growth and as J. Stiglitz<sup>1</sup> argued that 'not being able to restrain the markets has been the major failure of the Governments'. These developments suggest the need for a new definition of economic reforms – a structural change in form and management of business enterprises which are to be more 'socially responsible' and therefore a strong case for co-operatives is gaining a larger constituency now than ever before.

1.2.4 The issue of ecological and environmental sustainability of development is now firmly in the global agenda as un-

derscored in the Rio + 20 conference. Since sustainable development calls for widest participation of stakeholders in conservation and climate change mitigation efforts, the co-operatives emerge as suitable mechanism for social and community mobilization, dissemination of knowledge and program implementation in inter-related activities of landwater, forests, and wetlands conservation, bridging the knowledge gap through constructive coordination with other civil society groups. Indeed, the co-operatives, by virtue of their broad mandate are ideally placed for combining advocacy as well as implementation functions in conservation and environment fields both in rural and urban areas.

1.2.5 Perusal of the proceedings of the 8th Ministers Conference,- the resolutions adopted, and the recommendations made as well as the pre-conference reference materials on the conference theme – 'Fair Globalisation through Co-operatives' clearly indicates that the conference anticipated the adverse developments mentioned above and therefore highlighted 'the multi dimensional' impact of globalisation and the socially imperative need to restructure the co-operatives to play a cohesive, diverse and balancing role in a market driven globalising economy. This called for a review of co-operative laws and policies to put in place the seven cardinal principles of ICA Statement of 1995, improvement in co-operative

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<sup>1</sup>J. Stiglitz - Lecture delivered at IIC, New Delhi on 4.11.2011

governance by professionalisation, protection of co-operative character against demutualisation and attaining a competitive edge in its production and service related activities. There was a consensus that as the poor and the vulnerable sections of the population were being rendered more insecure and unable to gain from globalisation the co-operatives must step in with a wider agenda to provide them with livelihood, health and education security by diversifying their activities.

- 1.3 These concerns, voiced in March 2007 when the global economic crisis was unfolding formed the basis of the Questionnaire circulated to all Members and the Governments of the ICA-Asia Pacific region highlighting the main issues emerging from the resolutions and the explanatory/supplementary questions from the recommendations in order to obtain a status report on actions taken on the decisions of the 8th Conference (**Annexure I & II**). ICA-Asia Pacific is aware of limitations of its advocacy role as every country is subject to its own compulsions and systemic problems. Thus, the periodic and usually intensive training programmes for co-

operatives, exchange visits, interaction with the National Level Federating organisations Organised by the ICA-Asia Pacific region were the means adopted to facilitate implementation of the decisions of the 8th Conference. The replies received and summarised in the subsequent chapter on the status of actions taken indicate a mixed response, and in essence positive though more concrete steps seem to be necessary. The ICA could at least claim some credit for sensitising the members in this intervening period about the need to create an enabling legal and policy environment for co-operatives to play its desired role.

2. To carry out “a doctrinal research” on co-operative laws and policies is not without its problems because the co-operative doctrines have been well formulated over a century and reiterated under a set of regional and international human rights instruments which make it a duty for the states to initiate development according to certain basic principles and rights for the citizens. These include, substantively, the right to form associations, to assemble, associate and federate without hindrance or negative legal and administrative consequences. The right to choose one’s own economic activity or a vocation or a business partner, the right to property and free access to national and international markets and of course, the rule of law and the right of free access to ordinary courts of laws and an administrative system that reduces the discretionary powers of the authorities to the minimum.

**The ICA could at least claim some credit for sensitising the members in this intervening period about the need to create an enabling legal and policy environment for co-operatives to play its desired role.**

Any co-operative law that recognises the universally accepted definition of co-operatives as “autonomous, mutual and self-help groups” which aim at meeting their members common economic, social or cultural needs by operating a jointly owned and member controlled enterprise must necessarily enshrine in the law the shared co-operative values like self-help, responsibility, equality, equity, solidarity, transparency and integrity. These are built into various declarations such as the ILO Convention 141 on the right to form rural organisations, the ILO convention 169 concerning indigenous and tribal people in independent countries, ILO recommendations No 127 of 1966 and No 193 of 2002, the 1995 ICA Statement on Co-operative Identity and the UN Guidelines 2001 aimed at creating a supportive environment for the development of co-operatives constitute the international co-operative law and therefore sets legal norms and standards for national co-operative laws. Though there is no way the ILO or any agency could enforce the provisions, these instruments command a moral force and have actually influenced national laws as the succeeding chapters would show. These three instruments laying down the theoretical framework of co-operative policies and laws for all countries are reproduced below.

### **I. ICA Statement on the Co-operative Identity Definition**

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations

through a jointly-owned and democratically-controlled enterprise.

#### **Values**

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

#### **Principles**

The co-operative principles are guidelines by which co-operatives put their values into practice.

##### **1st Principle: Voluntary and Open Membership**

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

##### **2nd Principle: Democratic Member Control**

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

##### **3rd Principle: Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

##### **4th Principle: Autonomy and Independence**

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter to agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

### **5th Principle: Education, Training and Information**

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

### **6th Principle: Co-operation among Co-operatives**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

### **7th Principle: Concern for Community**

Co-operatives work for the sustainable development of their communities through policies approved by their members.

## **II. ILO Resolution NO.193 dated 2,6.2002**

### **R193 Promotion of Co-operatives Recommendation, 2002**

Recommendation concerning Promotion of Co-operatives

Recommendation: R193 Place: Geneva Session of the Conference: 90 Date of adoption:03:06:2002 Subject classification: Co-operatives

Subject: Employment Policy and Promotion

Status: Up-to-date instrument This Recommendation was adopted after 1985 and is considered up to date.

The General Conference of the International Labour Organization, Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its 90th Session on 3 June 2002, and Recognizing the importance of co-operatives in job creation, mobilizing resources, generating investment and their contribution to the economy, and Recognizing that co-operatives in their various forms promote the fullest participation in the economic and social development of all people, and Recognizing that globalization has created new and different pressures, problems, challenges and opportunities for co-operatives, and that stronger forms of human solidarity at national and international levels are required to facilitate a more equitable distribution of the benefits of globalization, and Noting the ILO

Declaration on Fundamental Principles and Rights at Work, adopted by the International Labour Conference at its 86th Session (1998), and Noting the rights and principles embodied in international labour Conventions and Recommendations, in particular the Forced Labour Convention, 1930; the Freedom of Association and Protection of the Right to Organise Convention, 1948; the Right to Organise and Collective Bargaining Convention, 1949; the Equal Remuneration Convention, 1951; the Social Security (Minimum Standards) Convention, 1952; the Abolition of Forced Labour Convention, 1957; the Discrimination (Employment and Occupation) Convention, 1958; the Employment Policy Convention, 1964; the Minimum Age Convention, 1973; the Rural Workers' Organisations Convention and Recommendation, 1975; the Human Resources Development Convention and Recommendation, 1975; the Employment Policy (Supplementary Provisions) Recommendation, 1984; the Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998; and the Worst Forms of Child Labour Convention, 1999, and Recalling the principle embodied in the Declaration of Philadelphia that "labour is not a commodity", and Recalling that the realization of decent work for workers everywhere is a primary objective of the International Labour Organization, and Having decided upon the adoption of certain proposals with regard to the promotion of co-operatives, which is the fourth item on the agenda of the session, and Having determined that these proposals shall take the form of a Recommendation; adopts this twentieth day of June of the year two thousand and two the following Recommendation, which may be cited as the Promotion of Co-operatives Recommendation, 2002.

### **(I) Scope, Definition and Objectives**

1. It is recognized that co-operatives operate in all sectors of the economy. This Recommendation applies to all types and forms of co-operatives.
2. For the purposes of this Recommendation, the term "co-operative" means an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.
3. The promotion and strengthening of the identity of co-operatives should be encouraged on the basis of:

- (a) co-operative values of self-help, self-responsibility, democracy, equality, equity and solidarity; as well as ethical values of honesty, openness, social responsibility and caring for others; and
  - (b) co-operative principles as developed by the international co-operative movement and as referred to in the Annexure B hereto. These principles are: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among co-operatives; and concern for community.
4. Measures should be adopted to promote the potential of co-operatives in all countries, irrespective of their level of development, in order to assist them and their membership to:
- (a) create and develop income-generating activities and sustainable decent employment;
  - (b) develop human resource capacities and knowledge of the values, advantages and benefits of the co-operative movement through education and training;
  - (c) develop their business potential, including entrepreneurial and managerial capacities;
  - (d) strengthen their competitiveness as well as gain access to markets and to institutional finance;
  - (e) increase savings and investment;
  - (f) improve social and economic well-being, taking into account the need to eliminate all forms of discrimination;
  - (g) contribute to sustainable human development; and
  - (h) establish and expand a viable and dynamic distinctive sector of the economy, which includes co-operatives, that responds to the social and economic needs of the community.
5. The adoption of special measures should be encouraged to enable co-operatives, as enterprises and organizations inspired by solidarity, to respond to their members' needs and the needs of society, including those of disadvantaged groups in order to achieve their social inclusion.

## **(II) Policy Framework and Role of Governments**

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

- social and public policy outcomes, such as employment promotion or the development of activities benefiting disadvantaged groups or regions. Such measures could include, among others and in so far as possible, tax benefits, loans, grants, access to public works programmes, and special procurement provisions.
- (3) Special consideration should be given to increasing women's participation in the co-operative movement at all levels, particularly at management and leadership levels.
8. (1) National policies should notably:
- (a) promote the ILO fundamental labour standards and the ILO Declaration on Fundamental Principles and Rights at Work, for all workers in co-operatives without distinction whatsoever;
- (b) ensure that co-operatives are not set up for, or used for, non-compliance with labour law or used to establish disguised employment relationships, and combat pseudo co-operatives violating workers' rights, by ensuring that labour legislation is applied in all enterprises;
- (c) promote gender equality in co-operatives and in their work;
- (d) promote measures to ensure that best labour practices are followed in co-operatives, including access to relevant information;
- (e) develop the technical and vocational skills, entrepreneurial and managerial abilities, knowledge of business potential, and general economic and social policy skills, of members, workers and managers, and improve their access to information and communication technologies;
- (f) promote education and training in co-operative principles and practices, at all appropriate levels of the national education and training systems, and in the wider society;
- (g) promote the adoption of measures that provide for safety and health in the workplace;
- (h) provide for training and other forms of assistance to improve the level of productivity and competitiveness of co-operatives and the quality of goods and services they produce;
- (i) facilitate access of co-operatives to credit;
- (j) facilitate access of co-operatives to markets;
- (k) promote the dissemination of information on co-operatives; and
- (l) seek to improve national statistics on co-operatives with a view to the formulation and implementation of development policies.
- (2) Such policies should:
- (a) decentralize to the regional and local levels, where appropriate, the formulation and implementation of policies and regulations regarding co-operatives;
- (b) define legal obligations of co-operatives in areas such as registration, financial and social audits, and the obtaining of licences; and
- (c) promote best practice on corporate governance in co-operatives.
9. Governments should promote the important role of co-operatives in transforming what are often marginal survival activities (sometimes referred to as the "informal economy") into legally protected work, fully integrated into mainstream economic life.
- (III) Implementation of Public Policies for the Promotion of Co-operatives**
- 10.(1) Member States should adopt specific legislation and regulations on co-operatives, which are guided by the co-operative values and principles set out in Paragraph 3, and revise such legislation and regulations when appropriate.
- (2) Governments should consult co-operative organizations, as well as the employers' and workers' organizations concerned, in the formulation and revision of legislation, policies and regulations applicable to co-operatives.
- 11.(1) Governments should facilitate access of co-operatives to support services in order to strengthen them, their business viability and their capacity to create employment and income.
- (2) These services should include, wherever possible:
- (a) human resource development programmes;



- (b) research and management consultancy services;
  - (c) access to finance and investment;
  - (d) accountancy and audit services;
  - (e) management information services;
  - (f) information and public relations services;
  - (g) consultancy services on technology and innovation;
  - (h) legal and taxation services;
  - (i) support services for marketing; and
  - (j) other support services where appropriate.
- (3) Governments should facilitate the establishment of these support services. Co-operatives and their organizations should be encouraged to participate in the organization and management of these services and, wherever feasible and appropriate, to finance them.
- (4) Governments should recognize the role of co-operatives and their organizations by developing appropriate instruments aimed at creating and strengthening co-operatives at national and local levels.
12. Governments should, where appropriate, adopt measures to facilitate the access of co-operatives to investment finance and credit. Such measures should notably:
- (a) allow loans and other financial facilities to be offered;
  - (b) simplify administrative procedures, remedy any inadequate level of co-operative assets, and reduce the cost of loan transactions;
  - (c) facilitate an autonomous system of finance for co-operatives, including savings and credit, banking and insurance co-operatives; and
  - (d) include special provisions for disadvantaged groups.
13. For the promotion of the co-operative movement, governments should encourage conditions favouring the development of technical, commercial and financial linkages among all forms of co-operatives so as to facilitate an exchange of experience and the sharing of risks and benefits.

**(IV) Role of Employers' and Workers' Organizations and Co-operative Organizations, and relationships between them**

14. Employers' and workers' organizations, recognizing the significance of co-operatives for the attainment of sustainable development goals, should seek, together with co-operative organizations, ways and means of co-operative promotion.
15. Employers' organizations should consider, where appropriate, the extension of membership to co-operatives wishing to join them and provide appropriate support services on the same terms and conditions applying to other members.
16. Workers' organizations should be encouraged to:
- (a) advise and assist workers in co-operatives to join workers' organizations;
  - (b) assist their members to establish co-operatives, including with the aim of facilitating access to basic goods and services;
  - (c) participate in committees and working groups at the local, national and international levels that consider economic and social issues having an impact on co-operatives;
  - (d) assist and participate in the setting up of new co-operatives with a view to the creation or maintenance of employment, including in cases of proposed closures of enterprises;
  - (e) assist and participate in programmes for co-operatives aimed at improving their productivity;
  - (f) promote equality of opportunity in co-operatives;
  - (g) promote the exercise of the rights of worker-members of co-operatives; and
  - (h) undertake any other activities for the promotion of co-operatives, including education and training.
17. Co-operatives and organizations representing them should be encouraged to:
- (a) establish an active relationship with employers' and workers' organizations and concerned governmental and non-governmental

agencies with a view to creating a favourable climate for the development of co-operatives;

- (b) manage their own support services and contribute to their financing;
- (c) provide commercial and financial services to affiliated co-operatives;
- (d) invest in, and further, human resource development of their members, workers and managers;
- (e) further the development of and affiliation with national and international co-operative organizations;
- (f) represent the national co-operative movement at the international level; and
- (g) undertake any other activities for the promotion of co-operatives.

#### **(V) International Cooperation**

18. International cooperation should be facilitated through:
- (a) exchanging information on policies and programmes that have proved to be effective in employment creation and income generation for members of co-operatives;
  - (b) encouraging and promoting relationships between national and international bodies and

institutions involved in the development of co-operatives in order to permit:

- (i) the exchange of personnel and ideas, of educational and training materials, methodologies and reference materials;
  - (ii) the compilation and utilization of research material and other data on co-operatives and their development;
  - (iii) the establishment of alliances and international partnerships between co-operatives;
  - (iv) the promotion and protection of co-operative values and principles; and
  - (v) the establishment of commercial relations between co-operatives;
- (c) access of co-operatives to national and international data, such as market information, legislation, training methods and techniques, technology and product standards; and
- (d) developing, where it is warranted and possible, and in consultation with co-operatives, employers' and workers' organizations concerned, common regional and international guidelines and legislation to support co-operatives.

#### **(VI) Final Provision**

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

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**Social development, including questions relating to the world social situation and to youth, ageing, disabled persons and the family**

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**Social and Human Rights Questions: Social Development**  
**Co-operatives in Social Development**

**Report of the Secretary-General\*\*\***

Summary

The present report was prepared pursuant to the request of the General Assembly to the Secretary-General to report on the implementation of its resolution 54/123 on co-operatives in social development and on the views of Governments on the draft guidelines aimed at creating a supportive environment for the development of co-operatives. After an introduction, section II reports on progress made in the implementation of resolution 54/123. It is based on information received from Governments, relevant international organizations and specialized agencies, national and international co-operative organizations on their activities aimed at the utilization and development of the potential and contribution of co-operatives for the attainment of social development goals; the encouragement and facilitation of the establishment and development of co-operatives; and the creation of a supportive and enabling environment for the development of co-operatives. Section III reports on the views of Governments on the draft guidelines and on ways to render support to Member States. The report concludes with some recommendations to promote the development of co-operatives. The draft guidelines have been revised, taking into account the recommendations, suggestions and comments received from Governments, and are annexed to the present report.

\* A/56/50.

\*\* E/2001/100.

\*\*\* The submission of this report was delayed as a result of efforts to include as many responses as possible to the Secretary-General's questionnaire on the implementation of resolution 54/123.

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## I. Introduction

1. The present report responds to resolution 54/123 of 17 December, 1999 in which the General Assembly requested the Secretary-General to seek views from Governments on the draft guidelines aimed at creating a supportive environment for the development of co-operatives and to provide, if necessary, a revised version for adoption. In the same resolution, the General Assembly also requested the Secretary-General to prepare, in consultation with Member States and relevant United Nations organizations and international organizations, a report on the implementation of the resolution and to submit it, through the Economic and Social Council, to the Assembly at its fifty-sixth session.
2. A questionnaire was sent to all Member States seeking their views on the draft guidelines and information on progress made in the implementation of resolution 54/123. The present report is based on the replies from 12 governmental agencies which were received by mid April 2001. A shorter version of the questionnaire was transmitted to relevant international organizations, specialized agencies and co-operative organizations; 21 responses were received. Respondents provided information on the action taken in the following areas:
  - (a) Utilization and development of the potential and contribution of co-operatives for the attainment of social development goals, in particular the eradication of poverty, the generation of full and productive employment and the enhancement of social integration;
  - (b) Encouragement and facilitation of the establishment and development of co-operatives, including measures aimed at enabling people living in poverty or belonging to vulnerable groups to engage on a voluntary basis in the creation and development of co-operatives;
  - (c) Creation of a supportive and enabling environment for the development of co-operatives by, *inter alia*, developing an effective partnership between Governments and the co-operative movement. Information on observance of the International Day of Co-operatives was also provided.

## II. Implementation of resolution 54/123

3. In general, Governments reported their continuing support for the development of co-operatives and their recognition, in particular, of the potential and contribution of the co-operative movement for the attainment of social development goals. To that end, many Governments have taken important measures to create and/or sustain a supportive and enabling environment for the development of co-operatives. Many Governments have collaborated with or have been assisted by international organizations, specialized agencies and co-operative organizations in their efforts to promote and support co-operative development.
4. In Bolivia, the Government reports that the privatization of State-owned enterprises, undertaken as part of its structural adjustment policies, has affected co-operatives, and they are now profit-driven and controlled by a small group of co-operative leaders. Although it is widely believed that co-operatives should be autonomous, the Government often steps in to resolve conflicts or to address corrupt behaviour. However, apart from some co-operatives in the mining and financial sectors, there has not been strong direct support for co-operatives from the Government. The Government reports that it supports the International Day of Co-operatives.
5. The Government of Burundi reports on the revitalization of the co-operative and associative movement, with the help of the United Nations Development Programme (UNDP) and the International Labour Organization (ILO), and the expansion of the movement of savings and credit co-operatives in rural and urban areas, in cooperation with Credit mutuel de

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France. The Community Development Project for Poverty Eradication, developed in cooperation with UNDP, envisages the establishment and development of co-operatives and other self-help organizations. There have also been efforts to harmonize legal texts governing co-operatives and the private sector in order to grant tax benefits or general advantages to co-operatives and associations. To mark the International Day of Co-operatives, the Government issued a declaration on TV and radio to remind the population of the importance of co-operative development.

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6. The Czech Government reports that it has good contacts with the co-operative movement and is willing to use every means to support the development of co-operatives. The Government believes the national co-operative unions could develop their potential and greatly benefit from membership in international organizations and by participation in international projects, information sources, etc. It highly values the activities of social and self-help co-operatives that provide housing and work for citizens with lower incomes or for handicapped citizens. Many disabled people are being employed by special productive co-operatives. The Government has prepared a bill on housing co-operatives. It is also planning to have a team of experts to provide consulting services on co-operative legislative issues in developing countries as well as in Central and Eastern European countries. However, a problem, specific to some countries in transition, is the presence of a post-communist sentiment that co-operatives are a relic from the socialist era. The national co-operative unions are working hard to help their members enhance their competitiveness, create a supportive environment and improve their position. Although the International Day of Co-operatives is observed among the members of the co-operatives with special publications in the co-operative press, the event has not received any particular attention in the press or among the general public. In fact, not even all of the co-operative organizations

observe it. The problem is that observance of the Day was obligatory under the previous regime; therefore keeping to it is not yet perceived positively by the public. This year, however, the unions of Czech co-operatives intend to hold a press conference on the Day, to draw the attention of the media.

7. The central Government of El Salvador has increased the regular budget of the Salvadoran Institute for Promotion of Co-operatives (INSAFOCOOP) in order to extend and improve the quality of its current services to co-operatives. A special body has been created to promote co-operative education through several educational projects designed to build new co-operative enterprises and to prepare a new generation of co-operative leaders. In accordance with the national policy of social development adopted by the Government for the period 1999-2004, INSAFOCOOP actively supports the creation of new co-operatives, particularly among vulnerable groups, in order to include youth, women, older persons and people with disabilities into the productive economy. It is also coordinating the efforts of the co-operative movement and the Government to improve relevant national legislation. It has signed agreements and letters of understanding with many governmental institutions to promote an enabling environment for the development of co-operatives, in such areas, as environment, housing and professional training. INSAFOCOOP observes the National Day of Co-operative Movements which is a special holiday celebrated with many cultural, educative and social activities during the entire month of July to promote integration among the diverse co-operative associations.
8. Finland has made it possible for unemployed persons to establish co-operatives and to take part in their activities without a reduction in the level of their unemployment benefits. The earnings from co-operatives are coordinated with unemployment benefits in the same way as other earnings. The Government has allocated money from the EU structural funds for developing social entrepreneurship to establish and develop the activities of work co-operatives. The Ministry of Social Affairs and

- Health of Finland has started a discussion with the co-operative movement to develop work co-operative law so as to meet the current needs of the economy.
9. In Israel the membership in co-operatives has been growing, and co-operatives are gaining power and influence in the social development of the country. The enhancement of social integration and the closing of the social divide between rich and poor, which still exists mainly between new immigrants and the rest of the population and between Arab and Jewish citizens, are handled at the grassroots level largely through the activities of co-operatives. The partnership between the Government and the co-operative movement has been the cornerstone of economic and social development in the country since its establishment and is growing through joint programmes in education, industry incubators, and research and development institutions.
  10. In Panama, the Government has elaborated strategies to establish co-operatives in marginal areas in order to improve the living conditions of the population in those areas. The coordination of activities with national and international organizations that work for poverty eradication could help the co-operatives obtain the necessary resources. Co-operatives are implementing plans and employment programmes that are consistent with the strategies of the Government for socio-economic development. Different events are organized to observe the International Day of Co-operatives, including conferences on topics related to co-operative movement, workshops to emphasize the importance of women's participation in co-operatives, seminars about co-operatives for youth so that they can be incorporated into the co-operative system, and a street march in one of the provinces of the country (on a rotation basis) which ends in a special celebration attended by the President of the country.
  11. In the Philippines, the Government, through the Co-operative Development Authority (CDA), has advocated for, organized and trained the poor who would be likely to benefit from the establishment of co-operatives.
- Non-governmental organizations that are implementing projects funded by official development assistance (ODA) programmes are encouraged to organize co-operatives for better project implementation. The Government is also looking for ways to improve the environment for the co-operative sector by reviewing the mandates and functions of CDA, especially in the areas of monitoring and supervising the operations and performance of credit co-operatives. The Philippine Government considers co-operatives as conduits for micro-finance services to capitalize poor micro entrepreneurs in the country. Every year, the Philippines celebrates Co-operative Day (10 March) and Co-operative Month (16 October-15 November) with the staging of various advocacy activities and showcases.
12. In Portugal, the Government continues to give special attention to the co-operative sector alongside the public and private sectors. In 1999, it organized the first Co-operative Congress, together with two national co-operative confederations. A decision was taken at the Congress to create a national forum where both confederations would try to work together to create a single national confederation. During the Portuguese Presidency of the European Union the Government organized a European seminar on local development, citizenship and social economy, bringing together people from co-operatives, associations and foundations, Governments and European institutions. The Government recently approved a new co-operative taxation statute which gives legal definition to the general principles of co-operative taxation and restores to co-operatives some of the tax benefits they lost in 1988. In 1998, legal status was provided to social solidarity co-operatives that supported the promotion and integration of vulnerable groups, including children, youth, older people, and people with disabilities. In December 2000, the Government approved the Co-operative Development Programme to stimulate youth associative work and co-operative initiatives; to support job creation and investment in new co-operatives; and to foster the development and modernization of the co-operative sector.

13. The Portuguese Government is trying to bring together different state organizations dealing with co-operatives in the European Union, in Portuguese speaking countries, and in Latin -American Spanish speaking countries, to discuss common problems and to foster new principles. For that purpose the Co-operative Organization of Portuguese-speaking Countries was formed, with members drawn from governmental bodies, confederations, federations, unions and individual co-operatives. Regular meetings have been held in Portugal, Brazil and Cabo Verde. In Portugal celebration of the International Day of Co-operatives is organized by national confederations, with the participation of governmental authorities. The celebrations include popular activities and co-operative seminars with the aim to develop links between co-operatives and local communities.
14. In Slovakia, the Government has included the co-operative system within the National Plan of Employment and, thus, co-operatives actively contribute to solving problems of unemployment. The Government provides support to existing co-operatives, and new types of co-operatives are created in accordance with co-operative development in the EU countries. The co-operatives actively participate in the country's development. The Government strives to create conditions to encourage and facilitate the establishment and development of co-operatives. Supportive, consultative, informative and educative co-operative structures are being established to help people who are interested in creating new co-operatives. The International Day of Co-operatives is observed every year, together with the organization of the International Co-operative Contract-Selling Exhibition. The representatives of the Government of the Slovak Republic, the international co-operative movement and other guests from various institutions participate in the celebration of the Day.
15. In Turkey, the Government reports on studies to support agricultural co-operatives technically, financially and organizationally. As a result of the adoption of a constitutional regulation on co-operative development, agricultural co-operatives that were not autonomous have been given autonomy. The Government provides financial support to co-operatives but considers it to be insufficient because of constraints on budget allocations. The Turkish Co-operative Association observes the International Day of Co-operatives annually by organizing talks, meetings and symposia to demonstrate the meaning and importance of the Day.
16. The Government of the United States reports that United States law exempts from corporate income tax co-operatives that do a majority of their business with members. Similarly, the Capper-Volstead Act exempts co-operatives and similar associations from monopoly legislation, subject to the review of the Secretary of Agriculture. Government funding provides support to the promotion, organization and creation of co-operatives and community credit unions. Co-operatives have long played an important role in such fields as agricultural supply and marketing, the farm credit system, rural electrification and telecommunications, consumer savings and credit, housing, independent retailers and local consumer services. In virtually every instance the federal and state governments have provided financial support, extension services and favourable legislation which has contributed to the success of the co-operatives.
17. The United States has created a legal and regulatory environment and has provided financial and technical assistance to co-operatives in a variety of ways. As a result, co-operatives play a prominent role in many sectors of the United States economy and include a number of "Fortune 500" firms. At the same time, co-operatives, co-operative development organizations and private voluntary organizations continue to play an active role in encouraging less advantaged members of society to join together in credit unions and co-operatives better to serve their economic interests.
18. Co-operatives and their associations in the United States are full partners in the democratic process. They advance their interests in dialogue with the federal and state gov-



ernments, with the legislative and executive branches. The Government provides human and financial resources, as well as other incentives, in support of co-operatives. The Department of Agriculture's Rural Business and Co-operative Services division includes a wide variety of expertise available to co-operatives including commodity specialists, management experts and experts in law and regulation. The United States Department of Agriculture promotes and supports new co-operatives within its mission and mandate. The National Credit Union Administration regulates thrift and credit co-operatives. The Rural Electric Administration has played a critical role in financing the creation and expansion of rural electric co-operatives. The Farm Credit Bureau provides a wide range of support to co-operative financial institutions. Those are the ways in which the federal and state governments foster a relationship with co-operatives. However, the principle guiding that relationship is equality and respect for the co-operatives as autonomous, member-owned and-governed enterprises. 19. From 1962 onwards, the United States international assistance programme has provided funding for United States co-operative development organizations, which have, in turn, shared the experience and resources of the United States co-operative movement with their counterparts around the world. Those activities have included agricultural supply, marketing and finance co-operatives; housing co-operatives; rural electric and telephone co-operatives; credit unions and thrift and credit co-operatives. In 2000, the United States Government provided about \$175 million to fund international co-operative development activities. The Overseas Co-operative Development Act, passed by Congress in October 2000, expands the government mandate in its overseas programmes specifically to promote credit unions; agricultural co-operatives in farm supply, marketing and processing; rural electric and telecommunications co-operatives; insurance co-operatives; and community based Co-operatives that advance self-help housing, environmental improvements and job creation. 20. The Food and Agriculture Organization of the United Nations

(FAO) aims to build the capacities of rural public institutions and private-sector and civil society organizations, including co-operatives, at all levels, to become effective partners in designing and implementing policies and strategies, as well as poverty alleviation and food security programmes, that improve the socio-economic and food security conditions of small farmers, the rural poor, and other marginalized groups. FAO has been implementing a training-of-trainers programme aimed at helping developing countries and countries in transition transform their agricultural co-operatives into genuine self-reliant organizations that operate efficiently within a market economy and contribute to improving incomes and employment opportunities for small producers. In support of that programme, FAO has published a training manual, *Agricultural Co-operative Development: A Manual for Trainers*, which will soon be available in French and Spanish as well. Plans for Web publishing of the manual are underway. A separate module on accounting and co-operative business information management has been developed and will be added to the manual. 21. The FAO co-operative programme focuses on strengthening the business competitiveness of agricultural co-operatives through improved co-operative capital formation. A report undertaken by FAO, in collaboration with the Turku School of Economics and Business Administration of Finland, provides insights in the main constraints to strengthening the capital formation and business performance of agricultural co-operatives in Kenya under the current liberalized market conditions as well as useful recommendations for co-operatives in other countries in that sub-region. FAO has prepared a draft concept paper on agricultural co-operative computerization which can improve business efficiencies by providing more timely and accurate information on co-operative services and the market.

22. FAO has promoted the establishment and development of small farmers' co-operatives, mainly through its field programmes and technical assistance projects. Some recent examples include: capacity building for agricultural co-operative development in Yemen; co-operative

policy and programme development in Vietnam; restructuring and institutional strengthening of the co-operative sector in Morocco; training of trainers in co-operative development in Ethiopia; analysing the potential role of co-operatives and rural finance in an EU accession environment; capacity-building for promotion of co-operative small farmer and women's group activities in Thailand; and assistance in agricultural co-operative development in Nepal.

23. The International Labour Office (ILO) develops the potential and contribution of co-operatives for the attainment of social development goals through its collaboration with national and international co-operative development agencies, institutions and organizations, such as the Committee for the Promotion and Advancement of Co-operatives (COPAC) and the International Co-operative Alliance (ICA). The activities of the ILO Co-operative Branch include technical cooperation, technical advisory services, international meetings, research and publications. Its ACOPAM Programme was aimed at poverty alleviation and the creation of sustainable livelihoods in the Sahel region, with the help of grass-roots co-operative-type organizations. Although the programme ended in 2000 after 21 years of field activities, its partners (188 in eight different countries) continue to network and utilize the training methodologies and tools developed by ACOPAM. The ILO also has a sub regional project, "Promotion of gender equality in rural co-op-

eratives", which focuses on poverty alleviation and income generation in six countries. In addition, the INDISCO Programme aims at reducing poverty and strengthening the self-reliance of indigenous and tribal communities through co-operatives and self-help organizations.

24. Through its technical cooperation programmes and activities and its technical advisory services, the ILO encourages and facilitates the establishment and development of co-operatives and takes measures to enable people living in poverty or belonging to vulnerable groups to participate in the creation and development of co-operatives on a voluntary basis. The Local Economic Development (LED) Programme is aimed at creating decent jobs at the local level through social dialogue, planning and the promotion of an entrepreneurial culture. At the centre of the approach is the development of public/private partnerships that bring together stakeholders in the local economy, such as local governments, workers' and entrepreneurs associations, co-operatives, economic support institutions and non-governmental organizations. Other interregional programmes of the Co-operative Branch which have an indirect effect on poor and disadvantaged groups include COOPREFORM and COOPNET. The COOPREFORM Programme aims at assisting policy-makers in creating a favourable climate for co-operative development and in strengthening the capacity of national co-operative organizations in providing technical support services to their members. The COOPNET Programme responds to changes in the economic, social and political environment of co-operatives by focusing on human resource development (HRD). Its main activities are centred on curriculum development, training methods and materials, management consultancy, auditing and modern personnel policies, and strengthening capacities to improve co-operative entrepreneurship. COOPNET's direct beneficiaries are the trainers and managers of co-operative HRD institutions and programmes. The Co-operative Branch also provides technical support to country-level projects in Burundi, Cameroon, Chad, Central African Republic, Comoros, Guinea and Togo, aimed mainly at poverty alleviation and job

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- creation through co-operatives and other self help organizations.
25. In 2001 and 2002 the International Labour Conference will discuss the adoption of a new international instrument to replace ILO recommendation No. 127, "Role of co-operatives in the economic and social development of developing countries," adopted in 1966. The purpose of the revision is to provide an updated policy reference framework for ILO Member States as well as for the specialists in the field, the interregional COOPREFORM programme provides assistance in co-operative development policy, co-operative legislation, and co-operative support services, thus addressing the need to create a favourable legal, institutional and administrative environment for the development of genuine, viable co-operatives. Since 1993, 16 countries have promulgated co-operative acts that have been drafted with assistance from the Programme. In addition, nine countries have officially endorsed modern co-operative development policies that were elaborated with assistance from COOPREFORM. The Co-operative Branch also has two ongoing UNDP projects in Burundi and Guinea on co-operative law and policy.
  26. As part of the follow-up activities to the Second United Nations Conference on Human Settlements, UNCHS (Habitat) has initiated a close collaboration with ICA to enhance the contribution of co-operatives to shelter delivery in eastern and southern Africa. A memorandum of understanding between Habitat and ICA was signed in 1998. The results of a joint research project is to be published as a Habitat/ICA publication, "Shelter co-operatives in eastern and southern Africa contributions of the co-operative sector to shelter development." A consultative meeting on the same topic was convened in February 2001 by ICA during the second substantive session of the Preparatory Committee for the Special Session of the General Assembly for an Overall Review and Appraisal of the Implementation of the Outcome of the United Nations Conference on Human Settlements (Habitat II). It discussed the follow-up to the establishment of a regional programme framework for improved co-operative contributions to shelter delivery and poverty reduction. At the meeting, the heads of Habitat and ICA signed an extension of the memorandum of understanding between the two agencies for a period of two additional years, focusing on expansion of successful collaboration in eastern and southern Africa to other regions. A colloquium on the contributions of the co-operative approach to housing development in central and eastern Europe and the Commonwealth of Independent States (CIS) region is already being planned, in collaboration with the Economic Commission for Europe (ECE) and host authorities in Turkey. The meeting is scheduled to take place in Istanbul, in September 2001.
  27. ICA has a development programme to assist co-operatives throughout the world. Its actions are based on a participative process where members' needs, as identified by them, are formulated into development programmes. ICA then seeks partners to implement the programmes. At present ICA is implementing the programmes and projects noted below. The Finnish Ministry for Foreign Affairs has, since 1994, financed the ICA/FOPROPE project, Promotion of Rural Financial Services, in Bolivia. The Ministry is also funding a new project in Argentina in collaboration with the Institute of Co-operative Studies of the University of Helsinki. In 2000, the Department for International Development (DFID) in the United Kingdom agreed to finance the project, Managing Change: Supporting Co-operatives in Transition in Central Asia, in Kyrgyzstan. However, drastic changes in the status of the Kyrgyz co-operative movement have necessitated the cancellation of the project. Meanwhile, the collaboration with DFID continues in Africa. There is also close collaboration between ICA and the Swedish Co-operative Centre in Africa and in Latin America, in areas where there are clear synergies between the objectives and activities of the two organizations. A new four-year agreement was signed with the Royal Norwegian Society for Development.
  28. A major new initiative for ICA has been work on introducing a new top-level domain name

- “.coop.” Approved in November 2000, the new domain name is likely to become available to co-operatives around the world in mid June 2001. ICA is working with its United States member, the National Co-operative Business Association — the sponsor of the “.coop” application — in the creation of new entity to manage “.coop” operations. A digital divide fund will be created with the revenues generated by “.coop” registrations.
29. ICA regularly organizes ministerial conferences in Asia and Africa where representatives of government ministries responsible for co-operatives meet to discuss policy issues concerning co-operatives. The last two conferences were held in China and Swaziland. Government officials are regularly invited to ICA events to foster exchanges in information and partnership. The ICA European research conference will be held in conjunction with the seventh European Conference on Social Economy (Sweden, 7-9 June 2001). The theme of both conferences is “The social capital of the future” and will give participants the opportunity to explore, within the broader context of issues facing the social economy in Europe, the specific role of co-operatives and social enterprise in society. The topics to be discussed include: the identity of co-operatives and social enterprise; social economy and women; social entrepreneurship; the transformation of co-operatives in Eastern Europe; and legislation.
  30. In October 2000, the ICA Board approved the formation of an ICA Youth Network with the aim of encouraging the integration of young people into all levels of co-operative organizations and to promote the co-operative philosophy through a network of young people. The Network will also encourage exchange of experience among young people, promote transfer between senior and more junior cooperators, increase the level of participation of young people in ICA structures and events. Youth coordinators are appointed in each of the ICA regional committees to ensure regional input and a survey of activities undertaken. Other planned activities include a regional seminar for Asia Pacific in June 2001 on the theme “Leaders towards cooperation: Leading the new century,” a youth event for Europe in conjunction with the Regional Assembly in Portugal in 2002 and a global conference to be held in Seoul during the ICA General Assembly in October 2001.
  31. Since the World Summit for Social Development and the Beijing Conference on Women, the co-operative movement has increasingly sought to improve the status of women in co-operatives and in society. In 1995, ICA passed a resolution on gender equality in co-operatives, noting that gender equality was a global priority for the co-operative movement. A series of programmes and projects were undertaken by the ICA at the global and regional levels to raise awareness of the issue and to collect data to enable measurement of progress made. International collaboration between the ICA and the ILO Co-operative Branch has resulted in a series of activities on gender issues and co-operatives, including a manual for trainers, “Gender issues in co-operatives: an ILO/ICA perspective.” The ICA Global Women’s Committee has organized a series of seminars and meetings on women and co-operatives. At the regional level, ICA has also been active in promoting gender awareness as well as equality and equity between women and men; comprehensive gender programmes, platforms for action, gender plans and strategies were prepared and adopted in practically all regions. Since then, women’s participation in co-operatives has increased considerably. At the global level, advances are being made and the participation of voting women delegates has doubled, although their overall percentage share is still small.
  32. To celebrate the International Day of Co-operatives, ICA assembles a press pack with messages from the Secretary-General of the United Nations, ILO and ICA, as well as information from both multilateral and co-operative organizations. These materials are published in hard copy and in electronic form on the ICA and COPAC websites. The press pack is distributed to over 2,000 organizations and individuals, as well to the United Nations

- Information Centres around the world. In 1999, the United Nations Secretary-General's report on co-operatives was included in the press pack. In 1998, the International Day focused on co-operatives and the globalization of the economy; in 1999, on public policy and co-operative legislation; and in 2000. On co-operatives and employment promotion. ICA member organizations organize events at the national, regional and local levels to promote awareness and understanding on co-operatives. The United Nations Secretary-General's message figures prominently in many of these celebrations. In 1998, ICA produced a series of video news releases, which were broadcast on television stations throughout the world.
33. The International Confederation of Free Trade Unions (ICFTU) reported on its close cooperation with ICA, particularly with a view to achieving a successful revision of the ILO recommendation on co-operatives and its support to the International Day of Co-operatives.
  34. The Organization of Brazilian Co-operatives (OCB), the top representative of Brazilian co-operative system, provides incentives and support to work co-operatives, which are formed by the unemployed or individuals with low compensations. With increasing globalization, many types of co-operatives have mushroomed in the areas of urban cleaning, recycling, and construction; they provide permanent and productive employment and increase social integration. OCB promotes the creation and development of co-operatives and provides orientation to those who want to set up new ones. It also provides technical and professional assistance through a national service of co-operative education called SESCOOP, created in April 1999. Currently, it is seeking support from the Government and the private sector to help with the development of the co-operative system, in particular to establish a programme that will teach youth in schools about the benefits of the co-operative system and help them develop leadership skills. On the International Day of Co-operatives, OCB sends a message to the entire Brazilian system of co-operatives and requests that the day be celebrated by all organizations.
  35. The Co-operative Association of the Czech Republic aims to foster the development of co-operative potential for the attainment of social development goals. The co-operative unions of the country provide employment to many thousands of people. The co-operative management coordinates and implements its social programmes in close collaboration with trade union organizations. The Union of Agricultural Co-operatives and Societies is currently the largest nongovernmental organization in the Czech Republic and has a good record of establishing new co-operatives. It offers advisory services on business, legislation, commerce and social issues. The Union of Producer Co-operatives is very active in providing assistance to the disabled by helping them to establish so-called "social co-operatives." The Czech co-operatives develop effective partnerships with the Government mainly through the Council of Economic and Social Agreement (comprising Government, trade unions and employers), the Economic Chamber, and the Union of Commerce. The Union of Consumer Co-operatives has its representative in the Legislative Commission of the Government for commercial law. The National Co-operative Association, in collaboration with the Union of Housing Co-operatives, participates in drafting legislative norms for housing co-operatives to enable access to housing for socially disadvantaged groups of population. The efforts of all co-operative unions have been currently directed to the adoption of a separate co-operative law. Every year the Co-operative Association publishes and distributes the translation of the ICA message for the International Day of Co-operatives. The observance of the Day is implemented mainly at the level of individual consumer co-operatives through cultural and social activities.
  36. In Greece, the Institute of Cooperation, with the assistance of the Dutch Embassy and financial support channelled through the Confederation of Agricultural Co-operatives, embarked in a research project aiming at determining the possibilities of collaborative cooperation between Dutch and Greek co-operatives and at bringing together the parties interested. A new law on agricultural co-operatives of 2000

was prepared by a tripartite committee composed of representatives of the Ministry of Agriculture, the Confederation of Agricultural Co-operatives and the Institute of Cooperation. The Institute translated into Greek the report of the Secretary-General on the status and role of co-operatives in the light of new economic and social trends, the draft guidelines and the text of resolution

37. In Japan, many co-operatives promote initiatives to help young mothers who tend to be isolated in the nuclear families by organizing special courses and circles for them. More than 50 co-operatives organized "mutual help groups" to render support to the elderly and the handicapped for housekeeping, including cooking, cleaning and shopping. Some of co-operatives provide more professional care services under the Long-term Care Act, which took effect in April 2000. Every year, the Japan Joint Committee of Co-operatives publishes posters and organizes the events commemorating the International Day of Co-operatives at national and provincial levels.
38. In 2000, the Central Union of Consumer Co-operatives organized conferences all over the Russian Federation to determine the main directions and means of social activity, including work for poverty eradication and pecuniary aid for disabled and retired people. Last year consumer co-operatives ensured the employment of 120,000 people and provided 15,000 new jobs. The service network and home works are being revived in the countryside, providing additional jobs for the unemployed and for youth. Consumer co-operatives in the Russian Federation take care of large families, retired and disabled people and indigent co-operative members: their personal plots are cultivated, fuel and building materials are delivered to them, and goods are sold to them at reduced prices. People who live below the poverty line or are not able to work at enterprises are provided with some homework. The recently adopted law on consumer co-operatives fixed the relationship between the Government and the co-operative movement. Other co-operative/government agreements

are concluded every year, on such important issues as mutual commitments, methods of improving service, co-operative privileges in taxation and power resources etc. About 30 governmental decisions on co-operative development were taken in 2000. The International Day of Co-operatives has been celebrated in the Russian Federation for a long time, with public shows and amateur arts festivals. It is becoming a big popular event, covered in the mass media. The best co-operative organizations are rewarded.

39. The members and owners of the Swedish Co-operative Development and Research Institute are the consumer co-operatives. The Institute reports that there is a system of local co-operative agencies (one in every region) giving free consultation to groups of people who wish to start co-operatives. The Government provides economic support to these agencies. Co-operatives in new sectors are creating jobs for many unemployed people. New co-operatives in the service sector have been set up by the mentally retarded, for example, so that they could get jobs. These co-operatives often get support from local authorities. Last year they formed a national association to deal with common tasks. The Institute produces handbooks on ways to set up a co-operative and collaborates with local agencies. Two years ago it produced five television programmes, targeting young people, on the theme "Start a company — together", which were sent to public television. The Co-operative Institute regularly meets with members of Parliament from different parties to discuss questions of importance for the co-operative movement. There are also meetings between co-operative organizations and the Government twice a year.

### **III. Views of Governments on the Draft Guidelines and on the ways to render support to Member States**

40. All Governments that replied to the questionnaire expressed a generally positive view of the draft guidelines annexed to the previous report of the Secretary-General (A/54/57) on co-operatives. The majority of reporting Governments supported the text. Some also made specific comments and suggested re-

visions. On the basis of those suggestions and comments, revised draft guidelines have been prepared.

41. The following comments and suggestions were received:
- (a) The draft guidelines should contain suggestions for incorporating persons from vulnerable groups into the co-operative system;
  - (b) There could be more emphasis on international cooperation — in particular, cooperation between North and South co-operatives;
  - (c) The draft guidelines mention government's partnership with co-operatives in several places but, historically, such "partnerships" have been unequal ones, with government playing the role of major partner, often at the cost of the autonomy of the co-operative. It was suggested that public goals are best pursued either through public agencies or through incentives and/or penalties, and that there should be no references to "partnerships" in the guidelines;
  - (d) The view that the best policy approach is one where co-operatives receive the same treatment as any other form of enterprise should be endorsed and every effort should be made to ensure that the guidelines respect this standard;
  - (e) The section on general co-operative law is far longer and more exhaustive than desirable. The general principles that should be found in good co-operative legislation should be specified, and detailed description should be avoided. While the law can and should incorporate national policy, specific and positive references to co-operatives and the international co-operative movement, unique contributions to national life and similar references should not be incorporated as part of the guidelines;
  - (f) The law should enable the formation and operation of co-operatives and should permit them to operate with relative equality with other forms of enterprise, while accommodating their unique ownership, governance, source and distribution of capital and surplus;
  - (g) The question of whether Governments should enact provisions exempting co-operatives from monopoly and restrictive practice laws or offer

special tax treatment based on the nature of ownership is one that should be individually addressed and not incorporated into general guidelines;

- (h) The success of co-operatives depends, like that of other institutions, on discipline and prudence in the management of their affairs. Regulation, examination and compliance requirements are the responsibility of government and deserve inclusion in the text of the guidelines. To ignore these is to jeopardize the success of co-operatives and cooperation;
  - (i) The draft guidelines could include some elements on how co-operatives, especially credit co-operatives, can be supervised and monitored by the government to protect their members.
42. The following views were received on ways to render support to Member States in their efforts to create a supportive environment for the development of co-operatives:
- (a) Governments often need technical assistance to improve laws, judicial and administrative regulations. Constitutional reforms should seek to incorporate the integrity of co-operatives, define their economic and social objectives, and respect for and protection of human rights of male and female members. Appropriate legislation should also cover co-operatives that are organized by persons from vulnerable groups — women, the elderly, the disabled, and youth. The Governments of developing countries should guide the co-operative movement towards autonomy by the creation of appropriate and supportive framework structures;
  - (b) Special legislation, enforced by the co-operative sector, should allow co-operative as-

**In Japan, many co-operatives promote initiatives to help young mothers who tend to be isolated in the nuclear families by organizing special courses and circles for them.**

- sociations to promote integral development but with special attention to economic, legal, administrative, social and cultural issues. Such legislation, based on co-operative principles and values, should establish an institutional framework that provides some kind of national register of co-operatives which takes into account the need for a clear mechanism to bring juridical security to its members. In addition, Member States should take measures to monitor co-operatives on an equal footing with other enterprises, and ensure the harmonization of the law on cooperation with the overall legislation in force;
- (c) International cooperation for technical assistance is needed in the areas of public services, savings and credits, agriculture, mining, consumption and services. Such cooperation could increase the efficiency of co-operatives, improve management, effectiveness and productivity, and reduce corruption. Member States could set up local or regional co-operative agencies to provide free consultation to groups interested in starting a co-operative;
- (d) The success of co-operatives is inextricably linked with the co-operative values of mutual-ity and self-help, and with the fundamental co-operative principles which limit membership to genuine users; govern through democratic control; raise and distribute capital based on patronage; educate and train members; and encourage cooperation with other co-operatives, whether economic or to advance common goals. Successful co-operatives are successful business enterprises that create value for their owners. That value is both financial and in the form of the available goods and services. Legislation that respects co-operative values and principles and which recognizes that co-operatives are businesses, not tools of government social policies, will create an environment in which co-operatives can succeed. However, it must be recognized that, like any other form of business, a co-operative can fail. Governments can and do choose to provide selective incentives and benefits to co-operative enterprises. Generally, the best policy is to ensure neither substantial advantage or disadvantage to co-operatives;
- (e) New co-operative policies and laws should be made known to the general public through popularization campaigns;
- (f) Co-operatives need updated database/information systems. They also need to share and exchange ideas, experiences, and lessons learned. Facilitating opportunities for such exchange would be an important factor in improving the contributions of the co-operative sector. In this regard, conferences for the sharing and exchange of ideas and experiences among countries on the strengthening of the co-operative movement could be organized. Best practices could be shared on co-operative banks, credit and marketing co-operatives, co-operatives of formal and informal workers, and multipurpose co-operatives. The role of the Government, private sector and civil society in the creation of a supportive environment for co-operative development could be enhanced;
- (g) With increasing deregulation and the globalization of markets, there is greater social and economic need for co-operatives to provide leverage and access to markets, as well as solidarity and leadership in communities. However, there is a desperate need to establish a highly professional vocation-oriented pool of co-operative managers to serve the membership and to provide expert guidance and leadership. This is critical for the future of co-operatives. Most of the issues of poor involvement and weak governance can be traced to co-operatives being dominated by lay volunteer boards whose members lack the necessary professionalism to make objective decisions. It is not a question of subverting democracy but of facilitating it and ensuring that co-operative boards have professional managers to lead them and share accountability with lay directors. To facilitate such a development requires: a major investment in the development of co-operative value-based management development materials, a real effort to create a market for such managers in the co-operative sector; and a desire to supply such a market from the new generation of young men and women who are more concerned with service than personal enrichment. Without professional value-based manage-



ment, co-operatives have little hope of reaching their potential:

- (h) Member States welcomed the assistance of the United Nations and other relevant international organizations to create and/or maintain a supportive and enabling environment for the development of co-operatives.

#### **IV. Recommendations**

- 43. The following recommendations are submitted for consideration by the General Assembly:
  - (a) Urge Governments to: adopt the revised draft guidelines aimed at creating a supportive environment for the development of co-operatives and keep under review the legal, judicial and administrative provisions governing the activities of co-operatives, with a view to ensuring a supportive environment in which co-operatives can participate on an equal footing with other forms of enterprise, protecting and advancing the potential of co-operatives to help members achieve their individual goals and to contribute to society's broader aspirations;
  - (b) Invite Governments, in collaboration with the co-operative movement, to develop programmes to promote professional co-operative value-based management and to create or improve statistical databases on co-operative development and the contribution of co-operative enterprises to national economies;
  - (c) Invite relevant specialized agencies, national and international co-operative organizations, in collaboration with Governments, as appropriate, to provide technical assistance and promote an exchange of experience, through the organization of conferences, workshops and seminars at the national, sub regional and regional levels;
  - (d) Request United Nations agencies that are members of the Committee for the Promotion and Advancement of Co-operatives (COPAC) to increase their support to the Committee, with a view to broadening its activities, and to encourage other United Nations agencies to join COPAC so as to further strengthen its capacity to address co-operative issues.

#### **Annex**

#### **Draft Guidelines aimed at creating a Supportive Environment for the development of Co-operatives**

#### **Objectives**

1. Within the General Assembly and the Economic and Social Council, and at major recent international conferences, Governments have acknowledged the significance of co-operatives as associations and enterprises through which citizens can effectively improve their lives while contributing to the economic, social, cultural and political advancement of their community and nation. They have recognized the co-operative movement as a distinct and major stakeholder in both national and international affairs.
2. Governments recognize that the co-operative movement is highly democratic, locally autonomous but internationally integrated, and a form of organization of associations and enterprises whereby citizens themselves rely on self-help and their own responsibility to meet goals that include not only economic but social and environmental objectives, such as overcoming poverty, securing productive employment and encouraging social integration.
3. Consequently, Governments seek to create an environment in which co-operatives can participate on an equal footing with other forms of enterprise and develop an effective partnership to achieve their respective goals. Policies should protect and advance the potential of co-operatives to help members achieve their individual goals and, by so doing, to contribute to society's broader aspirations.
4. However, such policies can be effective only if they take into account the special character of co-operatives and the co-operative movement, which differs significantly from that of associations and enterprises that are not organized according to co-operative values and principles.
5. The objective of the present guidelines is to provide advice to Governments and set out broad principles on which national co-operative policy might best be based, recognizing that more specific and detailed national policies fall within the responsibility of each Gov-

ernment. Because of the governmental expectations regarding the co-operative movement and the rapidly changing global conditions and changes in the co-operative movement itself, many policies in most of the Member States of the United Nations might benefit from review, and in some cases from substantial revision.

#### **Policy regarding Co-operatives and the Co-operative Movement**

6. The objective of the policy is to enable recognition of co-operatives as legal entities and to assure them and all organizations and institutions set up by the co-operative movement real equality with other associations and entities. In order to ensure equality, the special values and principles of co-operatives must receive full recognition as being desirable and beneficial to society and that appropriate measures are taken to ensure that their special qualities and practices are not the cause of discrimination and disadvantage of any kind.
7. To achieve this objective, Governments are concerned with creating, and with maintaining as conditions change, an enabling environment for co-operative development. As part of such an environment, an effective partnership between Governments and the co-operative movement could be sought.

#### **Public Recognition**

8. It is appropriate and useful for Governments to acknowledge publicly the special contribution, in both quantitative and qualitative terms, made by the co-operative movement to the national economy and society. The joint observance of the International Day of Co-operatives and the International Co-operative

Day organized by the International Co-operative Alliance, pursuant to General Assembly resolutions 47/90, 49/155 and 51/58, may provide an occasion on which information on the co-operative movement is publicly disseminated.

#### **Legal, Judicial and Administrative Provisions**

9. Appropriate provision is necessary within legal, judicial and administrative practice if co-operatives are to contribute positively to improving the lives of their members and the communities in which they operate. Legal provisions may take various forms appropriate to individual national legal systems. The status, rights and responsibilities of co-operatives, the co-operative movement in general, and, if appropriate special categories of co-operatives or distinct aspects of cooperation should be addressed.
10. **National Constitutions:** The legitimacy of co-operatives and the co-operative movement could be acknowledged in these instruments, if appropriate. Provisions that limit the establishment and operations of co-operatives should be appropriately amended.
11. **General law on Co-operatives or the General Section of a Single Law on Co-operatives :** A general law on co-operatives or laws specific to co-operatives or under which co-operatives fall should ensure that co-operatives enjoy real equality with other types of associations and enterprises and not be discriminated against because of their special character. Laws should include the following basic set of acknowledgements, definitions and provisions: acknowledgement that the organization of associations and enterprises on the basis of co-operative values and principles is legitimate; acknowledgement of the utility of the co-operative approach to association and enterprise, its contribution to national life and the status of the co-operative movement as a significant stakeholder within society; definition of co-operatives, using the "Statement on the co-operative identity", adopted by the International Co-operative Alliance in 1995; recognition of the unique nature of the values and principles of cooperation, and hence the need for their separate and distinct treatment

**The objective of the present guidelines is to provide advice to Governments and set out broad principles on which national co-operative policy might best be based.**

in law and practice; commitment that neither their unique nature nor their separate and distinct treatment in law and practice should be the cause of discrimination, intended or not; undertaking that no law or practice should restrict the rights of citizens to full participation in the co-operative movement in any capacity consistent with its values and principles and should not restrict the operation of that movement; provision that a general law apply to all categories of co-operatives but that, in order to respond to the situation of certain categories of co-operatives, special laws might be enacted, consistent with the general law; stipulation that all judicial and administrative regulations and practices be based only on the general or special laws on co-operatives; that all regulations clearly identify the provision of the law on which they are based and the purpose for which they are made; recognition of the full autonomy and capacity for self-regulation of the co-operative movement; acknowledgement that intervention by Governments in the internal affairs of the movement should be strictly limited to measures applied generally to all associations and enterprises equally in order to ensure their conformity with the law. Adjustments may be made only to ensure: real equality in treatment; definition of the responsibilities of the co-operative movement for self-regulation in all matters distinctive to it; provision that the texts of laws and regulations be made available to all co-operative members and employees; provision that representatives of the co-operative movement participate fully in drafting special laws or judicial or administrative regulations and guidelines concerning practice; provision for the maintenance of a public register of co-operatives as a part of procedures for registration of all associations and enterprises; provision for procedures for continuous monitoring and regular review of law and practice which would include the full and equal participation of representatives of the co-operative movement and for encouragement of research on the effect of law and practice on the environment for co-operatives; establishment of the responsibility of Governments to formulate and carry out a policy in respect to co-opera-

tives that would seek to establish a supportive and enabling environment while avoiding any infringement of the autonomy of the movement and any diminution of its capacity for responsible self regulation and would seek also to engage in an effective and equal partnership with the movement in all matters where it is able to contribute significantly to the formulation and carrying out of public policy; recognition of the value of governmental support for the international co-operative movement, including through intergovernmental activities; and definition of the responsibilities of the co-operative movement as a major stakeholder in society, to the extent these responsibilities are consistent with its full autonomy.

12. **Special Laws on certain categories of Co-operatives:** Consistent with the basic provisions of general co-operative legislation, and recognizing the distinctive nature of the business of some co-operatives, it may be appropriate to make special provisions in law for certain types of categories of co-operatives to safeguard their ability to enjoy real equality with other types of associations and enterprises and not be discriminated against because of their special character.
13. **Judicial and Administrative Practice concerned explicitly with Co-operatives:** These must be consistent with the general law on co-operatives and, specifically, with its provisions concerning such practice.
14. **Other Laws and Practices that may have an effect on Co-operatives:** Governments should seek to exclude or eliminate provisions of any law that discriminate against, or are specifically prejudicial to co-operatives. Governments should create an environment that enables co-operatives to identify and communicate cases needing revision.
15. **Monitoring, Review and Revision of Laws and Judicial and Administrative Practices:** This is necessary to ensure that the impact of laws and judicial and administrative practices on the co-operative movement is entirely positive. If identified, discriminatory provisions should be rendered inoperative as quickly as possible pending enactment of

revised laws or the issuance of revised regulations and guidelines concerning practice. This process should have as its purpose the early and complete disengagement by Governments from the internal affairs of co-operatives and the co-operative movement, where this still exists, and full operational realization of the principles that co-operatives, although different, are equal to other business enterprises and civil associations.

16. For these purposes, formal procedures for consultation and collaboration should be set up and should include regular and full participation by the co-operative movement. Advantage may also be taken of the special programmes and guidelines offered by specialized international co-operative organizations and intergovernmental organizations.

#### **Research, Statistics and Information**

17. **Research:** Given the significance of the co-operative movement, it may be appropriate to envisage collaboration between governmental and co-operative movement research on matters relevant to public policy; publication and wide diffusion of research results, including those produced by the international co-operative movement, intergovernmental organizations and the United Nations. Emphasis should be on applied research of immediate utility in improving the efficiency of co-operatives, extending benefits to society and improving partnerships between the co-operative movement and Governments.
18. **Statistics:** Several measures may be undertaken to improve statistics for and about co-operatives in view of integrating statistics on co-operatives in regular programmes of the national statistical service and participate in international efforts to improve co-operative statistics, including the establishment of a uniform set of definitions for use by national statistical services.
19. **Information:** Given that Governments regulate and broadly influence information diffusion, a number of measures may be useful in expanding knowledge of the co-operative movement and overcoming prejudices and misconceptions: extension of technical and fi-

nancial assistance to an extent equal to that made available to other stakeholders; ensuring that no discrimination exists because of the distinctive nature of co-operatives; equal and non-discriminatory access by the co-operative movement to all public media commensurate with its contribution to national life; use of affirmative action to overcome prejudice and misinformation where the term co-operative is associated with a previous and inappropriate usage; diffusion through public media of material on intergovernmental activities undertaken in partnership with or in support of co-operatives; dissemination of printed and computer-based information prepared by governmental or intergovernmental bodies with the same priority and resources as allocated to information on other stakeholders.

#### **Education**

20. Given the important contributions of the co-operative movement to education, a number of enabling measures might be useful including the provision of public funds if they are made available to other forms of enterprise for educational programmes. Governments may also consider the inclusion within the national curricula at all levels of the study of the values principles, history, current and potential contribution of the co-operative movement to national society; and encouragement and support of specialized studies in co-operatives at the tertiary level.

#### **Provision of Public Funds**

21. Financial self-reliance, total responsibility and full independence are vital for an effective co-operative enterprise. The best policy approach is one where co-operatives receive the same treatment as any other form of enterprise. A number of other measures are valuable: acknowledgement and protection of the special character of co-operatives and avoidance in law or practice of any discrimination arising from the special financial status, organization and management of co-operatives; avoidance of any direct or indirect engagement in the internal financial affairs of co-operatives or of the co-operative movement and recognition of the full responsibility of the movement for its own financial affairs; and the development

of partnerships with co-operative financial institutions in such matters as community and regional development, drawing on their experience of mobilizing and managing capital in a manner and for purposes conducive to the public good.

**Institutional arrangements for collaboration and partnership**

22. All Government departments and bodies that have contact with the co-operative movement should be aware of, and act consistently with, national policy on co-operatives. In order to ensure consistency, certain coordinating functions within government, as well as liaison with the co-operative movement, will be useful.
23. It is advisable that a single department or office assume central coordinating, focal and liaison functions, of which the following might be most important: elaboration of a single national comprehensive policy in respect of

co-operatives, formulation of guidelines for consistent execution throughout government, including monitoring and review of that execution; collaboration with legal departments in drafting the general and any special laws; and liaison, consultation and collaboration with the co-operative movement.

24. The most effective organizational location for the responsible entity would be within a department already charged with broad strategic and coordinating functions, such as the office of a prime minister or president, or that responsible for economic management of development planning.
25. An institutional arrangement which enables regular consultation and effective collaboration between Governments and the co-operative movement would be valuable.
26. Liaison between intergovernmental programmes and the international co-operative movement should be Supported.

2.1 Perusal of three previous critical studies and the proceedings of the 8th Conference make it apparent that a number of key issues of co-operative law and policy have remained unresolved for years despite the fact that the rationale for change found broad acceptance at various international platforms and thus merit recapitulation as attempted below:

2.1.1 Lack of a clear policy on co-operatives and periodic review of the implementation of policies and in depth evaluation of sector wise performance of co-operatives are the 'core' issues of concern. In essence, this is both governance and planning failure. Even in countries like India with over a century, old tradition of co-operative movement, neither the 11th Five Year Plan document<sup>2</sup> nor the Approach Paper to the 12th Plan<sup>3</sup> made any detailed reference to the role of co-operatives in different sectors nor, any view taken on why the share of the co-operatives in rural credit in India has been persistently falling and if the acute distress among farmers in parts of the country has been also due to failure of co-operatives at the primary 'grassroots' level to deliver credit-inputs -marketing support and play effectively the role of financial intermediaries. And, this despite the fact that in 2004 the Government of India appointed a Task Force to recommend an action plan for reviving the Rural Co-operative Banking institutions with

broad terms of reference including suggestion for an appropriate regulatory framework and assessment of the financial assistance required by co-operative banking institutions for revival and that currently, the recommendations of the task force are under active implementation – a point though mentioned in the Eleventh Plan Document. The issue is the degree of importance attached to co-operatives which requires not policy statements but visible recognition of its role as otherwise in the din of pro market and pro corporate activism, the co-operatives tend to get sidelined. To position co-operatives firmly in the development agenda, it is suggested that this subject could be a part of the office of the Head of the Political Executive or the Prime Ministers' Office and given similar importance in Planning and Finance ministries for proper direction and support and organising a periodic review of law and policy and to grant official recognition of Apex co-operative bodies as legitimate representatives of co-operatives in the country.

2.1.2 That allowing self regulation means accepting co-operatives as subsidiary wings of the state was highlighted in the 8th Conference as the first step to introduce support measures. However, this remains a problem area because sweeping powers of Registrar of Co-operative Societies to supervise and regulate the co-operatives right from

<sup>2</sup>J. *Eleventh Five Year Plan Vol-I, Planning Commission, Government of India, 2007*

<sup>3</sup>J. *Approach to the Twelfth Five Year Plan, Planning Commission, Government of India, 2011*

the beginning are continuing for reasons partly historical and partly the practice of the government contributing to the share capital of the co-operatives. Moreover in some countries such as Iran, Indonesia, Cambodia, even the internal control mechanism seems to make self-regulation complex as on top of an elected board of directors of a co-operative society, a supervisory body is also elected by the General Body which makes the decision-making process somewhat slow and contributed to the growth of an attitude among the co-operatives to play safe to avoid getting into more complex multipurpose co-operative activities. One possible means to avoid excessive control of the Regulator (which in most countries is the Registrar of Co-operative Societies) is to constitute an autonomous body in the form of a Co-operative Development Authority as in Philippines under its 2008 code with powers usually exercisable by the Registrar in most countries. This is worth a serious study.

However, its success would depend on willingness of the government to delegate its power and allow it to function both as a regulator watchdog and promoter functioning in a spirit of least or minimum interference and support to raise the competitive edge and core competency of the co-operatives. It may be worthwhile to share recent country experiences and develop a scheme of such institutional reform after the Bangkok Conference.

2.1.3 A related issue has been the political neutrality. Despite emphatic declarations made in the past, this remains a problem area because of the conceptual difficulty in making a distinction between social action, the basis of co-operative spirit and the political use of effects of such actions. Possibly for this very reason, country co-operative laws generally do not debar persons involved in party politics from joining co-operatives if she/he fulfils other conditions (some country co-operative laws specifically debar moneylenders from becoming members of credit societies). Experience, however suggests that entry of even one person whose interest is inimical to these of the other members is enough to ruin the society. Section 44 of the Multi State Co-operative Societies Act, 2002<sup>4</sup> of India prohibits a Board member of a Multi State Co-operative Society to hold office of chairperson or President or Vice Chairperson/Vice President in certain cases when such member becomes a minis-

**One possible means to avoid excessive control of the Regulator (which in most countries is the Registrar of Co-operative Societies) is to constitute an autonomous body in the form of a Co-operative Development Authority**

<sup>4</sup>J. *Multistate Co-operative Societies Act, 2002, India*

ter the Central or State Government.<sup>5</sup> What is needed is an innovative solution to this complex issue. It is essential is that the 'apolitical' character of the co-operatives has to be demonstrated or pronounced in its functioning which must be free from sectarian or political overtones and members, especially office bearers, have the statutory responsibility of not bringing their political interest in the co-operative activities and therefore must remain apolitical in their work related to co-operatives.

2.1.4 Notwithstanding the assertions of the 8th Asia Pacific Co-operatives Minister's Conference that "Co-operatives are a tested form of mobilising people and their resources for their own development," and have a global role to protect the interests of vulnerable sections of the society, the fact remains that following the success of women's self-help groups in Bangladesh and pioneering work of the Grameen Bank in "micro finance", both as a concept and instrument, SHG's (Self-Help Groups) have emerged as an independent socio-economic model for all round betterment of the lot of rural and urban poor across the world. The support provided by the World Bank and multilateral agencies to adopt "the Grameen Model" micro-finance banks in several developing and even developed countries and the success it achieved have made the 'Grameen' a competing form and ideology of mobilisation of the poor and the disadvantaged. The co-operatives can

ill afford to ignore this reality in view of the huge network of SHGs and the micro-financing institutions that have developed in several countries notably India with active support of the government and Institutional finance - national and even international.

2.1.5 Policy support for SHGs is now firmly placed in the development agenda for promotion of self employment among the poor as an "innovative and flexible" form of lending to the poor while guaranteeing that borrowers repay loans. The following extracts from the World Development Report 2008 of the World Bank with Agriculture for Development as the theme underscored the main features of the 'Grameen Bank Model'.

\* One approach to resolve these problems follows the pioneering efforts of the Grameen Bank. Micro-finance Institutions open the menu of available contracts with new arrangements that substitute for collateral. They often have guidelines to favour groups – particularly women- excluded from borrowing through other channels. Many MFIs lend to local groups whose members select one another and share the liability for repaying loans, so social capital substitutes for wealth as collateral. MFIs often target rural areas, where social capital is stronger.

\* To meet undeserved agriculture market, MFIs have begun to innovate. FUNDEA (Fundación para el Desarrollo Empresarial)

<sup>5</sup>J. The World Bank, *The World Development Report - 2008*



ial y Agrícola) in Guatemala has offered individual loans to agricultural producers of short cycle tomatoes and other vegetable crops. It has adopted the value chain approach to financing inputs and outputs, using standing crops as collateral. Caja los Andes in Bolivia began to accept nonstandard collateral assets and lend to farmers well diversified across a range of agricultural and non agricultural activities. In 2006, it became a bank. Banco Los Andes Procredit, and agricultural loans now constitute 10 per cent of its portfolio.

\* In short while microfinance is lending in agriculture is still small, there are hopeful signs that innovation will permit the microfinance movement to partially fill the agricultural void, at least for producers with small enterprises engaged in high value activities, particularly animal husbandry and horticulture.

Micro-finance Institutions have strategic implications for co-operatives for several reasons. First, co-operatives and MFI compete for space in the same constituency—the rural and the urban poor and economically and socially vulnerable sections of the population; second, operational methods, the philosophy and principles are about the same except that the SHGs are non formal or unorganised and enjoy more autonomy and flexibility in matters such as deposit mobilisation, determination of individual business models, rate of interest and payment schedules and

linkage with banks as the latter had been mandated in countries like India to adopt SHGs which are in fact state sponsored informal mutual help bodies for implementation of various self employment schemes under poverty alleviation programme. Third, the very flexibility of SHG based MFI's has attracted outside investors interest in MFI sector because of much higher rates of interest than the normal bank rate for weaker sections and have a high return on capital and prospects of timely recovery as MFI's have been allowed, almost by tacit consent, unconventional extra legal pressures and even strong arm methods to ensure repayment. The recent exposure in India of a micro finance, 'for profit' company adopting coercive means in Andhra Pradesh has prompted the Government of Andhra Pradesh to enact Andhra Pradesh Micro Finance Institutions (Regulation of money lending Act), 2010<sup>6</sup> to bring the activities of MFI under control of the Government and the Reserve Bank of India and specifically the rates of interest and terms of lending by MFI's to the borrowers. In Bangladesh, where Grameen Bank began its journey to much success and global attention had experienced similar problems and the even complaints of exploitation. These developments suggest that time has come for the co-operative sector to take note of these features of the SHG and MFI sector and instead of ignoring it as if it did not matter and consider seriously a strategic move to 'co-opt' the SHGs

<sup>6</sup> *Andhra Pradesh Microfinance Institutions (Regulation of Money Lending) Act 2010, India*

into co-operatives which on the face of it, seems to be quite feasible and for some strong reasons. First, the size of membership does not pose a problem as co-operative law in several countries allow formation of a primary co-operative society with as few as 5 members (Myanmar) or 7 members (Vietnam) and in European Union countries 5 or more natural persons are allowed to form a co-operative society resident in at least two member countries are allowed to form a co-operative society while a SHG could have 10-20 members. Under Article 10 of the Philippines co-operative code 2008, the minimum number of persons needed to form a co-operative is 15 and similar provision exists in codes of other countries which are well within the size of SHG. Second, Cambodian Co-operative Law permits formation of Pre Agricultural Co-operatives for first 3 years and thereafter subject to performance and fulfilment of conditions, a pre agricultural co-operative could be upgraded to an Agricultural Co-operative. In fact, the task force on long term measures to revive the co-operatives appointed by the Government of India in 2005<sup>7</sup> has in its report (2008) recommended that SHGs be recognised as pre co-operatives for incorporation as co-operative societies to enable the micro finance institutions/SHGs to get into such loan-based diverse economic activities as seasonal crop or horticulture lending entailing greater risk, usually avoided by the MFI's so far as they have

been more comfortable with financing business activities with a safe and quick turnover. Third, the fact that MFI's have forged a linkage with banks could be of great help after conversion into co-operatives in taking up diversified business activities, creation of employment and self-employment opportunities and management of food security. Fourth, as SHG's are at crossroads now, they need to innovate as argued in the World Development Report 2008 to partially fill the void in agricultural lending which still forms a small portion in MFI loans and finance producers with small enterprises engaged in high value activities particularly in animal husbandry, horticulture, floriculture, small crafts based industries and even services like rural transport, shops and food processing units. Fifth, there should be no conflict of either identity or interests because seven cardinal principles of ICA identity statement seem to apply to the SHG concept. This matter merits serious deliberation as it would vastly expand and diversify the co-operative network, membership and socio-economic base and might enable the co-operative sector to play a balancing role in a market driven economy as an alternative economic force as stated in the 8th conference and to acquire what Prof. Galbraith called 'Countervailing power'. The mechanisms to bring the SHG/MFI within the fold of co-operatives may require some amendments to the existing co-operative laws to enable SHG's

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<sup>7</sup>J. *Report of the Task Force on long term measures to revive the co-operative credit structure in India, Government of India, 2008*

to become members of the primary co-operative societies and in particular to ensure the continuity of linkage with the Banks and flexibility not only in the process of lending but also the purposes for which loans were given. It may be mentioned that under some Indian state co-operative laws, SHG Federations are already being registered as co-operative societies. Entry of SHGs will strengthen the role of the co-operatives as instruments of social inclusion. This has been the focus of the World bank<sup>8</sup> in an appraisal of the role of SEWA (Self Employed Women's Association) in India in integrating Self-Help Groups into the co-operative systems.

2.1.6 An outstanding case of synergy in the activities of NGO and co-operative systems is seen in the work of SEWA- the self employed women's association established in 1972 in Ahmedabad in Gujarat state of India as a membership based organization of poor women working in informal sector. From its small beginning in 1972, SEWA's membership has grown to over 1.2 million members in 7 states of India and roughly 100000 new members have been joining SEWA every year in the last decade. Sewa is registered as a society under the Registration of Societies Act, 1861 in India as a not for Profit organisation and is allowed under the aforesaid law to take up activities of imparting vocational training and production of marketable goods. As a society SEWA enjoys flexibility in its work and is not subject to the kind of

intensive supervision and reporting that a co-operative has to submit under the co-operative law and having organised the women's groups SEWA formed women's co-operatives in villages and set up a Co-operative Bank which is member driven and designed to support the business enterprises of the women's self help groups. SEWA has retained its NGO base and yet floated co-operatives to achieve social objectives as a member driven organisation in the spirit of ICA principles and thereby promoted integration of NGO and co-operative movements on its own without any Policy support. There must be such instances in other countries. Thus, with the necessary legal, policy and institutional support the activities of NGO's and all other such associations could be gradually brought within the ambit of the co-operative movement.

An extract from the World Bank Publication titled "India's Employment Challenges, Creating Jobs, helping Workers" Oxford 2010 published under the Poverty Reduction and Economic Management unit South Asia explaining the role of SEWA is placed in the box:

The Charter and the work of SEWA are about the same as the Workers' Co-operatives in Japan as analysed in the 'Japan' part of Chapter 4- Country Study Reports dealing with country visits. Considering the vital role of informal economy and the self-employed workers in the economies of develop-

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<sup>8</sup>J. *The World Bank India's Employment Challenges, Creating Jobs, helping workers*2010

## **Box 2.2 The Self-Employed Women's Association (SEWA)**

The Self-Employed Women's Association (SEWA) was set up in 1972 in Ahmedabad, Gujarat, as a membership organization of poor women working in the informal sector. From its small beginning in 1972, SEWA's membership has grown to over 1.2 million members in seven states in India. Recently, more than 100,000 new members have joined each year. A structure has evolved that gives SEWA great flexibility to grow and respond to its members' needs. Apart from their participation in the union's formal election and governance arrangements, members are engaged in three main ways: (a) through a union, with both urban and rural branches, that helps members demand fair treatment and access to justice, markets, and services; (b) through co-operatives that help members produce and market goods, and build their assets; and (c) through member services, which are financed partly through user charges, partly by donors, and partly by government departments that have been unable to provide the services for which they are responsible by law.

SEWA co-operatives in rural areas help women improve the quality and designs of the handicraft and woven items they produce for sale. In most cases, the women are already highly skilled in embroidery and weaving or other crafts. SEWA's task is mainly to ensure consistent quality and timely delivery. Co-operatives have also promoted new agricultural products and techniques that add value to traditional products. For example, tree nurseries are a

new activity in areas where traditional tobacco workers are being displaced. Milk co-operatives improve cattle breeding, as well as milking and milk handling techniques, raising the value of sales. Salt farmers are being shown how to produce higher-value industrial salt rather than lower-value edible salt. Co-operatives also provide their members with information on market prices for traditional and new products. SEWA has also become directly involved in marketing what its members produce.

By far, the largest co-operative is SEWA Bank. At the end of fiscal 2003-4, deposits totalled \$14.4 million, 257,000 accounts, and there were 53,000 outstanding loans totalling \$3.9 million (for an average loan of about \$73). Historically, SEWA Bank's loan recovery rate has been about 96 per cent. In 2003 the Bank started innovative mobile 'doorstep banking' arrangements so that members would not have to interrupt their daily livelihood activities to go to the bank. It also offers training courses in financial planning. SEWA Bank has introduced the habit of regular saving to tens of thousands of poor women. Members pay significant interest rates to SEWA Bank (currently over 20% a year, while the rate of inflation is around 5%), but no longer feel powerless and exploited by moneylenders.

SEWA concentrates its member services in four areas: health care, childcare, insurance, and housing. In SEWA's experience, the security of a poor woman's livelihood is not complete without access to these four basic goods. If a government-provided service functions well, then SEWA dissemi-

nates information on how to use it; if a service needs improvement or reorientation, SEWA tries to influence decision-makers accordingly. If all else fails, it provides the service on a sustainable basis.

SEWA has pioneered the provision of insurance for poor women, drawing on both the SEWA Bank and government insurance companies. Typically, a woman saves Rs. 1,000 (about \$22) and puts the money in a fixed deposit. The annual interest pays the premium and ensures uninterrupted coverage, which includes maternity benefits, as well as payments in the event of illness, death, and loss of property. In 2003, more than 11 0,000 members were covered: over 6,000 claims were paid for a total of close to \$180,000 (with the average payment being about \$30). SEWA is now planning an insurance co-operative, drawing on the example of the SEWA Bank.

#### **Key Factors behind the Success**

SEWAs impressive record in scaling up its membership and activities over the past three decades offers useful lessons. First, member-based organizations promote ownership and help ensure that activities are based on members' demands and needs. Such organizations can harness hitherto untapped energy and generate it anew once members attain self-confi-

dence and learn new skills. Second, an organization based on values must emphasize them constantly. If it does so, it can maintain consistency of purpose and function very flexibly. Values generate strong loyalty among staff and members, as well as support from the wider public, and underpin the patience and perseverance required to change difficult policy environments. Third, a flexible style of working encourages learning and innovation and, therefore, facilitates adaptation to changing circumstances, including the ability to see crises as opportunities. At the same time, flexibility motivates high performance and low turnover among staff, and makes it possible to take advantage of partnerships with external actors. Finally, leadership skills are crucial, not only to define and uphold the vision of an organization, but also in establishing management and behavioural practices that minimize social distance between the management cadre and the organization's members (or clients). Moreover, with proper attention to training and practical research, an organization can find and develop new leaders among its members or clients, despite their poverty and lack of formal education, and in this way ensure its continuity and growth. Source: Blaxall (2007).

ing countries, co-operatives could play a constructive role in organising these workers and introduce through the co-operative, elements such as insurance and health cover, credit worthiness, vocational training, upgradation of qual-

ity of their products and services and market access narrowing thereby the gap between their conditions of work and those obtained in the formal sector. The incorporation of such movements in the co-operatives deserves to

be viewed as a strategic issue for the co-operatives.

2.1.7 Based on the perception that co-operatives constitute 'the social economy' working for the well-being of the poor and the less privileged, the 8th Conference recommended that co-operatives must diversify into innovative sectors like infrastructure building, service industry, disaster mitigation and preparedness, formal schooling, education and healthcare". Experts have also suggested that to succeed, the new generation co-operatives must be professionally managed, and try to 'forge' strategic alliance with the private corporate sector and also argued for a "minimalist approach" to the State Regulatory framework and end of the paternalist role of the Government to facilitate the transformation. The legal and policy implications of these suggestions merit serious scrutiny. Induction of professionals in co-operatives in specialised fields is no doubt essential but it must be ensured that experts do not take over and turn the co-operatives into 'for profit only' service enterprises with the management and the members remaining satisfied with dividends and building of the Reserve Funds similar to what took place in corporates in the west run by professional managers with adverse consequence for the shareholders. Such a situation is deemed ideal for 'demutualisation' and conversion of social assets built over the years often with state and

public support into private assets of a new company. The basic character of co-operative as a social enterprise may be lost in this process of 'professionalisation and specialisation'. In the same way 'strategic alliance with the private sector may be forged provided the terms of engagement do not undermine the basic co-operative features and values or turn co-operatives into their subsidiaries. The recommendations of the 8th Conference for strict rules against 'demutualisation' must be seen this context.

The matter really boils down to providing a strong capital base for 'new generation' co-operatives which the members-drawn mostly from the less privileged, will not be in a position to provide. The answer to that is neither going to the capital market even if it is made permissible under the country co-operative law for raising capital through sale of special shares without voting rights or debentures underwritten by the government nor a co-operative-private corporate partnership because that would be 'unequal' unless restricted to technical support and not joint management to protect the 'member controlled and democratically managed' basic features of the co-operatives. Any 'hybridization' does not seem to be permissible under the extant co-operative laws and in the letter and spirit of ILO Resolutions and ICA Principles. Nevertheless, as the co-operatives have to diversify in the larger

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<sup>9</sup>J. *Philippine Co-operative Code 2008*

interest of the social economy and to create what Joseph Stiglitz called the 'creative economy', possibly, one way to remove this constraint is to establish at the national level, a "Co-operative Development Fund", built with funds from the Government and other financial institutions which may function as a Special Purpose Vehicle (SPV) for meeting the capital needs of the "new generation co-operatives" under terms to be fixed on the basis of local situation. The provision of a 'Co-operative Development Authority' (CDA) under the Philippines Co-operative Code 2008<sup>9</sup> seems to be a step to this direction because with a broader and special mandate, a similar authority set up in every member country could oversee the operation of the fund. The Fund's charter may include promotion of 'start-up co-operatives; provision of venture capital, risk and Insurance Cover to reduce members stakes in the initial phase. It is felt that without such special support, the co-operatives would not be able to register their effective presence in these new fields in most countries and might even lose their space even in traditional areas like crop lending as it happened in the last decade in India due to the entry of stronger players backed up by market and institutional support. This is indeed an existential di-

lemma for the co-operatives in the 21st century and warrants bold legal and policy changes.

3.0 The aforesaid issues have been captured under section 6 of the recommendations titled 'contradictions and dilemma'<sup>10</sup> covering the supportive role of the government without impairing its democratic functioning and co-operatives promotion of social development entrepreneurs with capital assistance and the need to balance co-operative autonomy with supervision. Perhaps, 'The Basic Structure' doctrine of the constitutional law seems to apply to co-operatives if one goes through the various national and international legal and policy pronouncements. Thus, while co-operatives have to 'reorient and even reinvent' themselves, care must be taken to see that efficiency is not achieved by undermining the basic structure and principles of a co-operative. The co-operatives are 'economic enterprises' with a lot of difference- chiefly its social, equity and pro-poor orientation and loss of any of these properties will render them unequal to their basic role as promoter of social economy and social causes at international bodies such as WTO and protector of interests of the common people in the globalising economy.

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<sup>10</sup> 8th Ministers' Conference on Co-operative Legislation and Policy, 12-15 March, 2007, Kuala Lumpur, Malaysia





## **T**he Status of Implementation of the Resolutions & Recommendations of the 8th Ministers' Conference on Co-operative Legislation and Policy

1. The two sets of Questionnaire at Annexure I and II were circulated to obtain the views of the states and members on the issues and concerns of the Eighth Conference. The replies received are at **Annexure III** since most members/governments could not make it convenient to respond to the Questionnaire; the only conclusion that could be drawn is that the response of the governments and other members were still under formulation and possibly implementation which would be mentioned in the Bangkok conference. However, the position that emerges from the above and other secondary sources of information is as follows:

- In the AP region as a whole, globalisation has stimulated economic growth particularly in South and East Asia. In India, for the first time all states of the

Union had registered above 6% annual growth in the 11th Five Year Plan (2007-2012). During the 2002-2008 period average annual growth rates of economies of Pakistan, Bangladesh and Sri Lanka were 5.9%, 5.8%, 5.5% respectively while India grew at 7.9% in this period. The economies of Thailand, Philippines, Malaysia, Indonesia, Kazakhstan and Vietnam registered steady growth at 5.2%, 5.1%, 5.5%, 5.2%, 9.5% and 7.5% respectively while Australia and New Zealand grew at 3.3% and 3% in this period.<sup>11</sup> This

**In India, for the first time all states of the Union had registered above 6% annual growth in the 11th Five Year Plan. (2007-2012)**

<sup>11</sup> *World Development Report 2011-The World Bank*

trend has been continuing despite global economic crisis.

- Notwithstanding this spurt in growth, in most developing countries the conditions of the people on the margin- of the socially and economically disadvantaged have been worsening resulting in further impoverishment in the wake of globalisation and therefore constitutes the major challenge before the Governments. This was largely because of the phenomena of "jobless growth" in the organised sector and the growth of unremunerative employment in the informal sector. High inflation, and devaluation of local currencies has reportedly caused closure of businesses and massive layoffs, unemployment, and social friction.
- The formation of regional economic blocks is a positive trend that has increased opportunities in trade and investment even when reduction of protection to domestic industry under the globalised system has exposed the domestic industry to competition and compelled them to restructure to regain competitiveness. The co-operatives too are faced with the challenge of achieving the competitive edge by quality improvement in all its activities. This will require an efficient finance credit delivery and marketing system for all co-operative products and services.
- Efficiency apart, the co-operatives have to spread by expanding its membership base covering to the maximum extent the families belonging to the economi-

cally vulnerable groups by a two-fold strategy of encouraging people to join the existing co-operatives and to set up new co-operatives in areas like health, education and insurance sectors in which huge gap exists in service delivery in practically all developing countries. Thus capacity-building efforts have been accorded high priority in Philippines, Sri Lanka and India and a more focused approach to issues like livelihoods and food security and provision for the products of small farmers, weavers and artisans. Efforts are continuing towards professionalisation of the co-operatives and training facilities for the co-operators at all levels.

- As regards, legal and policy framework to create an environment conducive to the growth of the co-operatives, the initiative of like Philippines Co-operative Code 2008 which became a law in 2009 providing for (i) constitution of the Co-operative Development Authority with a mandate to support the development role of co-operatives (ii) and internalising the principles of good co-operative governance, to encourage stakeholders participation is a welcome development that merits study by all the other ICA members. The incorporation of ICA Co-operative Statement of Identity and Principles is a strong feature of the co-operative code 2008 of Philippines.

1.1 The Status of the Implementation in India of the report of the Task Force on long term measures for revival of co-operatives in India as on 31st July,

2011 placed at **Annex IV** shows that the weakness of the Primary Agriculture Co-operatives, the bane of the rural credit in India has been addressed with simultaneous measures to improve the balance sheet and profitability of District Central Co-operative Banks and State Co-operative Banks to revive the co-operative sector. In India, as some state laws allow registration of SHG Federations as co-operatives, there is scope and need for comprehensive amendments to bring the SHG movement within the ambit of co-operatives in the revived set up. This suggestion merits serious consideration.

2. The main points emerging from the responses received from the Ministry of Agriculture, Forestry and Fisheries of Japan, CDA Philippines, Government of Bhutan, Nepal, FISHCOPFED India, Government of Sri Lanka are summarised below countrywise:

1. **Japan:** To deal with the adverse impact of economic slowdown Japan had implemented a policy package of measures of about 26 Tr JPY to revive the regional economies, stabilise financial and capital markets and housing finance and to support small and medium enterprises and has been extending the benefits to support the co-operatives. Under several initiatives like Basic Plan for Food, Agriculture and Rural Areas, co-operatives are being restructured to diversify their activities further. Co-operatives are also entitled to price preference under the

government policy and engaged not only in agricultural production support services but also in life support service activities like commodity supply and welfare service and enjoy autonomy in their functioning. Forestry co-operatives, an interesting feature of Japan's co-operatives are involved in forest management, technical training, processing/storage of forest products. This is a model worthy of adoption in countries such as India where Joint Forest Management Committees (JFM) in which state forest officials and forest dwelling villagers and villagers in the neighbourhood of forests are united in a joint effort to maintain, conserve and improve forests and could be a viable means of expanding the outreach of the co-operative sector if the JFM's are organised into co-operatives.

2. **The Philippines:** Though the globalisation has opened new opportunities for producers of goods and services, the overall experience is not happy as it exposed the small business and co-operatives to stiff competition and losses. The main challenge before the co-operatives is to achieve a competitive edge and capacity-building in diverse activities to be able to provide fair price to small farmers and producers. The Philippine co-operative Mid Term Plan 2011-2016 seeks to bridge these gaps by establishing a co-operative market and integrated market and information system and a co-operative financial system while ensuring under Article 4() of RA 9520 protection of basic structure and character of co-operatives in terms

of autonomy, social orientation and democratic functioning.

3. **Sri Lanka** : The impact of opening up the economy to global force was somewhat unfavourable due to contraction of employment, rising prices and scarcity of essential goods. However, tax concessions are enabling the co-operatives to continue to market quality goods and services but it requires central policy and legal support to enter into urban areas by developing mini city co-operatives, housing development especially for the poor, banking, dairy and youth service by professionalisation. The formulation of a National Co-operative Policy and New Co-operative Act is on the anvil and it is hoped that once these instruments are put in place, the institutional and capacity-building programme will get the necessary support to develop especially a second layer in the co-operative movement.
4. **India**: FISHCOPFED reported that the entry of private corporates in fishing and processing of fish industry following globalisation have generated more adverse than positive effects on the lives of the fishing communities and small fish processors organised into co-operatives and what they need is upgradation of technology and management to reach global standards in production. This requires more fishery co-operatives and self-help groups of fishermen and revision of co-operative laws to enable the co-operatives to play a large role in fish processing and
5. **Nepal**: The overall impact was positive as foreign employment opportunities grew and the co-operatives have expanded in industry, agro-processing and consumer co-operatives sector which is evident from the fact that the share of the co-operative finance is substantial in Nepal's national income. The formulation of a new policy for co-operatives and a comprehensive amendment to the co-operative law have been taken up and Nepal's three year interim plan 2010-2013 has accorded a high priority to co-operatives in development. A national co-operative coordination network has also been set up.
6. **Bhutan**: An interesting aspect of the Co-operative (Amendment) Act Bhutan 2009 is that the definition of a Primary Co-operative covers not only co-operatives but also 'farmers groups' meaning a group of not less than three members deriving economic benefits from one or more economic enterprises related to Renewable Natural Resource Sector under Article 2 Sub Section (20). Article II (2) of the aforesaid Act is also significant as it lays down that all types of registered co-operatives may join as insurance co-operatives to provide insurance service and cover to all members and its membership is open to socially oriented Non Profit Organisations (NPOs). Under this provision, at least 15 registered co-operatives and NPOs may organise and register an in-

insurance co-operative. Together, these provisions have the effect of broadening the co-operative base with the inclusion of farmers' groups' which are like self-help groups and (ii) of expanding insurance, and social security cover to all the members of co-operatives by including the NPOs which are much like NGOs also in the ambit of co-operatives in a partnership mode. These are innovations which merit close study by all ICA member countries. The Government of Bhutan's view that stronger support subsidy is necessary to be incorporated in the co-operative law to incentivise the co-operatives to move into business mode may be noted with the observation that as subsidy in any form is prone to misuse, capacity-building and professionalisation must be promoted at the same time in areas like business model development, financial and marketing management through intensive training in co-operative entrepreneurship. The most fascinating aspect of Bhutan's development goal is the general quest for Gross National Happiness (GNH) and not just growth in GDP as in other countries with the right emphasis on "social harmony, cultural and environmental conservation" and in search for GNH, co-operative values and principles, if properly followed in functioning of co-operatives will stand as sup-

porting systems towards attainment of GNH. It is however observed that as of now co-operatives are functioning primarily in agriculture, livestock and forestry and thus to get into other fields adequate legal and institutional support seems necessary to create capable apex co-operative organisations. It is encouraging to note in this context that there are about 300 Community Forest Management Groups (CFMG) in Bhutan and that the Forestry laws provide for such State Community Partnership. The CFMG's have the potential to become 'co-operatives' and to deal with other economic and social needs of the forest villagers.

What emerges from these reports is the fact that globalisation has generally caused prices to rise – of food, fuel and capital and constraints on livelihood security and creation of sustainable employment opportunities and loss of competitive edge for many small producers. In all these spheres, the co-operatives could play a very important role in reducing the adversities of globalisation. However, this requires a strategic initiative to make first the co-operative leadership competent and strong, and their functioning viable with strengthening of their capital and management and expanding into new areas. These initiatives are awaited in most countries.





## Co-operative Laws and Policies – A Critical Appraisal.

### Co-operative Laws and Policies – A Critical Appraisal.

1. For the purpose of this study, the boundary conditions accepted are the Declaration and Recommendations of the 8th Conference of Co-operative Ministers held at Kuala Lumpur stressing the need for a proactive legislation and policies to achieve fair trade through globalization, taking into account the multi-dimensional impact of globalization and in particular, the adversities being faced by the common people and the disadvantaged. The laws and the policies have a symbiotic relationship and each has to support the other to achieve the objectives of the policy. It is, therefore, appropriate to appraise laws and policies together rather than separately to establish first of all the strengths and the gaps which must be bridged to harmonize laws and policies. This being the theoretical framework of appraisal, to proceed with the appraisal, any reviewer of the working of co-operatives in the Asia

Pacific region has to also consider the present international economic and social environment currently influenced by certain developments – continuing economic slow down in advanced economies, the euro zone crisis in Europe and slowing down of growth of some of the leading developing countries and the consequent socio-economic distress in many countries in the form of growing unemployment and reduction in investment in social sector, particularly education reducing thereby the growth of social mobility.

- 1.1 In this background, the decision of the UN to observe 2012 as the International Year of Co-operatives has led to a re-

**The laws and the policies have a symbiotic relationship and each has to support the other to achieve the objectives of the policy.**

appraisal of the role of co-operatives in any economy, advanced or developing. In a recent article entitled, "Long Overlooked, Co-operatives get their dues at the United Nations," dated October 31, 2011 in the Issue of TERRAVIVA, the European Edition of IPS Daily Journal, Elizabeth Whitman argued that there is strong evidence that the survival rate of the startup co-operatives is much higher than that of private sector competitors and the strength of the co-operative ventures lies in their concerns on human aspects of development and to empower the individuals to organize themselves into self-help enterprises. Therefore, the co-operatives as an institutional mechanism are in harmony with UN Development agenda such as the Millennium Development Goals (MDG), envisaging human aspect of development and wealth creation rather than the financial elements. As co-operatives combine both, they are in a position to develop economic and business models to enable a large segment of the society to move towards sustainable production and consumption which is the essence of the concept of 'Sufficiency Economy'- formulated by the King of Thailand, the theme of the Bangkok Conference. This perception requires more legal policy and institutional support to mainstream the co-operative movement and laws and policies have to be examined from a new perspective – to assess the adequacy or otherwise of the existing laws and policies to achieve a level of performance equal to the aforesaid tasks. It may be appreciated that such an exercise would

require a longer time frame and intensive and extensive field studies to cover the vast Asia Pacific region which has not been possible to organize for the present study. However, despite these limitations, an attempt has been made to analyze on selective basis a number of national co-operative laws in order to evaluate the existing capacity and the gaps which need to be bridged to enable the countries to make a serious effort to expand and deepen the role of the co-operatives in line with the UN Declaration on Co-operatives, the ILO recommendation 193 and the spirit of International Year of Co-operatives. In the making this effort, the seven cardinal ICA principles have been kept in mind as the touchstone for ensuring retention and strengthening of the co-operative character while playing a larger role in complex areas and in co-ordination and alliance with the state, corporate sectors and civil society. The country-wise analysis attempted in the subsequent paragraphs had to be necessarily brief touching upon essentially those provisions which apparently stand in the way of flexibility, self-regulatory and autonomous nature of functioning of co-operatives which if not corrected might even hinder diversification of co-operative activities. This being the main objective of the study, the procedural aspects and other organisational details have been mentioned only in so far as they influence the type of functioning. Therefore, only those aspects of law which have policy implications have received a close scrutiny.



2. In all resolutions passed in the ICA Co-operative Ministers Conference the main thrust has always been on the issue of autonomy, member led management, fair trade, equity and mutual benefit for the well-being of all members in a given context of an increasing trend of the state authorities to assume the power of superintendence and control over the functioning of co-operatives in a number of countries of the Asia Pacific Region. This has created a situation of conflict which needs early resolution to implement the National Policies of most countries emphasizing proper growth, expansion and deepening of co-operatives to make it a vibrant third sector capable of playing the role of a safety valve or a balancing sector in the socio-economic system to reduce the adverse impact of globalisation. In this background some recent orders of the Honourable Supreme Court of India are cited here as a possible mode of reconciliation of this core issue of co-operative law.

2.1 In the Andhra Pradesh Dairy Development Co-operative Federation vs. B. Narasimha Reddy and others, the court held the "The co-operative movement by its very nature is a form of voluntary association where individuals unite for mutual benefit in the production and distribution of wealth upon principles of equity, reason and common good. So, the basic purpose of forming a co-operative society remains to promote the economic interests of its members in accordance with the well recognised co-operative principles. Members of an

association have the right to be associated only with those whom they consider eligible to be admitted and have right to deny admission to those with whom they do not want to associate. The right to form an association cannot be infringed by forced inclusion of unwarranted persons in a group. Right to associate with others encompasses associational ties designed to further the social, legal and economic benefits of the members of the association. By statutory interventions, the state is not permitted to change the fundamental character of the association or alter the composition of the society itself. The significant encroachment upon associational freedom cannot be justified on the basis of any interest of the Government. However, when the association gets registered under the Co-operative Societies Act, it is governed by the provisions of the Act and Rules framed thereunder. In case the association has an option/choice to get registered under a particular statute, if there are more than one statutes operating in the field, the State cannot force the society to get itself registered under a statute for which the society has not applied".

The order defined the role of a co-operative in clear terms establishing the legal relationship between the right to form association, the foundation of co-operative movement, law and co-operative governance and the supervisory role of the state authorities e.g. The Registrar of co-operative Societies as hereunder

“Statement of objects and reason of the Act, 1995 clearly stipulate that the State participation in the financing and management of co-operatives in the past had led to an unfortunate situation and the co-operative societies were not governed/guided by the universally accepted principles of co-operation. Thus, the purpose to enact the Act 1995 was to provide more freedom to conduct the affairs of the co-operative societies by its members. Clause 7 thereof clearly described the salient features of the legislation, *inter-alia*, to enunciate the co-operative principles which primarily place as an asset on voluntary self-financing autonomous bodies for removal from State Control; to accept the co-operative societies to regulate their functioning by framing bye-laws subject to the provisions of the Act and to change the form or extent to their liability, to transfer their assets and liabilities to provide for the constitution of board and functions of the board of directors.”

- 2.2 The facts in issue on the aforesaid case are indicative of the conflict mentioned above. Briefly stated, the state of Andhra Pradesh in South India, an important state where co-operatives as well as Self-Help Group Movements have been making great strides in recent times, has two co-operative laws—the older one, the Andhra Pradesh Co-operative Societies Act, 1964 providing for large control of the Government over the Co-operative Societies with the State Registrar of Co-operative Societies (RCS) exercising wide powers, e.g.

power to hold elections, to nominate Directors on the Board, frame rules, give directions to co-operatives, dispose of appeals, revisions, set up special courts and tribunals and the power to approve the staffing pattern, service conditions, salaries, etc. and approval of RCS is required for taking staff on deputation, and to appoint persons in charge for State level Federations while the size and the composition of the board is fixed under the statute. The later Act, the Andhra Pradesh Mutually Aided Societies Act, 1995 having incorporated the principles of co-operation adopted at the International level provides no such wide powers to the Government. The affairs of the co-operatives are to be regulated by the provisions of the 1995 Act and by the bye laws made by the individual coop society and the power of the Government to make rules on every subject covered under the 1964 Act does not exist in the 1995 Act. In fact, the other provisions and the structure of the 1995 Act provide for state regulation to the barest minimum to permit better democratic functioning of the society as the size, term, composition of the board depend on the bye-laws of a particular society and matters like admission and expulsion of members fall within the prerogative of the co-operative society and not that of the RCS as under the 1964 Act. Without going into further details, it may be stated that the 1995 Act aims at providing greater freedom to co-operatives with a legal framework conducive to their growth into voluntary self-financing

autonomous bodies freed from state control. The Act is in conformity with India's National Policy on co-operatives and based on the Model Law recommended by the Planning Commission, Government of India.

- 2.3 There has been a significant growth of Dairy Co-operative Societies in Andhra Pradesh in the last two decades. Most of these Societies were registered under the 1995 Act and made good progress in terms of expanding membership, quality of milk procured and sales turn over, increased incomes for members – mostly women and diversification of its business into promotion of Savings/ Thrift, Bank Linkage, etc.

In this scenario, the Government of Andhra Pradesh for reasons and circumstances which are not relevant here, intended to amend the provisions of the 1995 Act with the object of converting the Dairy Co-operative Societies registered under the 1995 Act into societies deemed to have been registered under the 1964 Act and accordingly the state legislature enacted the AP Mutually Aided Co-operative Societies (Amendment) Act, 2006 (20 of 2006) which was struck down by the Andhra Pradesh High Court against which the state of Andhra Pradesh preferred a civil appeal before the Supreme Court of India. The appeal was rejected and the Supreme Court held that reverting co-operative societies back under the 1964 Act is a retrograde process which would deprive the dairy co-operatives not only of the benefits of the said Act

but also rights accrued under 1995 Act with retrospective effect and therefore impugned Act was held 'unconstitutional' and violative of the National Policy on Co-operative Societies and Basic Co-operative principles.

*(Civil Appeals No. 2188 of 2008 with Nos. 2189 – 212 and 4588 of 2088 decided on September 2, 2011 as reported in the weekly Supreme Court cases – 2011 vol.9 October 28, 2011 report 145-304, Eastern Law Company, Lucknow India).*

- 2.4 The legal foundation of a co-operative society is the right to form association provided under the Article 19 (1) (C) of the Constitution of India. What it means in practice is the right to form associations of like-minded persons who feel that by forming a co-operative society entirely on voluntary basis they would be able to help themselves and achieve some socio-economic and cultural goals. However, the concept of 'Open Membership' does not mean that everybody enjoys the right to join a co-operative society-existing or projected for formation because under the Indian Constitution no citizen has a fundamental right under Article 19 (1) (C) to become a member of a voluntary organisation or a co-operative society. Thus the right to become or continue being a member of the society is a statutory right and only on fulfilment of the qualifications prescribed by the statute, rules and the approved by-laws of the society concerned does a person become eligible thereof.

In the civil appeal no. 1551 of 2000 decided on April 15, 2005 – Zoroastrian Co-operative Housing Society vs. District Registrar, Co-operative Societies (Urban) and other, the Supreme Court of India first reiterated the principle laid down in Daman Singh (1985) 2 SCC 670 and COD Chheoki Employees (1997) SCC 681 that the right to form associations necessarily implies the right to keep others out and held that so long as there is no legislative intervention restricting the power of the co-operative societies to deny membership to certain classes or categories based on religion, caste or any such condition and viewed as persons not sharing the common values or interest, it is not open to the court or authorities- Registrar of Co-operatives Societies in this case purportedly acting under the statute concerned to order that a particular bye-law of registered co-operative society is not desirable and would be opposed to public policy as indicated by the Constitution. Hence the court held that formation of co-operative societies confined to persons of particular persuasion or way of life is permissible until such

**The court while deciding the matter emphasised for the first time that the 1995 Andhra Pradesh State Co-operative Act is in conformity with ‘the Principles of Co-operatives adopted at the International Level’.**

amendments are made in the relevant statutes.

The significance of the aforesaid order of the Supreme Court on September 2, 2011, now when 2012 has been declared by the UN as the “International Year of the Co-operatives” is considerable as the court while deciding the matter emphasised for the first time that the 1995 Andhra Pradesh State Co-operative Act is in conformity with ‘the Principles of Co-operatives adopted at the International Level’, which means virtually ‘ICA Principles Compliant and by implication the 1964 Act is not compliant. Implicit in the order is a suggestion that this dichotomy of two altogether different laws governing the co-operative sector is an aberration though the court stopped at that without any further direction. This dichotomy exists in some form or other in the co-operative laws and policies of most countries of Asia Pacific region in the form of gaps between state policy and law and laws, policies and International principles. The observation of the court that extensive state control and ensuring operation of co-operative principles cannot be done at the same time defines this basic contradiction. Taking this view as the criteria, an attempt has been made in the succeeding paragraphs to examine the degree of compliance of co-operative laws of some countries of the Asia Pacific region with the ICA Principles. It may be clarified that this is an initial scrutiny only and not a compliance index as this would require data collection and

even a field survey and preparation of an Index and theory which could be attempted later as and when decided.

## Bangladesh

1. Since independence in 1971, the record of Bangladesh in Social Development, poverty reduction and economic growth has been very impressive and the country has been on a steady growth path since 1990s @ 5-6% growth annually with a per capita GNP of \$690 (2008). Her development experience has been significantly shaped by institutional innovations related to NGOs, Community-Based Organisations (CBOs) and Private-Public Partnerships. Through advocacy, these institutions have created by their strong presence effective demand for social services e.g. healthcare, education, sanitation and evoked a positive response from the government. The NGOs emerged following the liberation to help the communities in distress and afterwards with the help of foreign donor agencies, they expanded their activities to deliver a variety of services including micro-credit, etc. so extensively that social development in Bangladesh is seen as NGO driven. Consequently, co-operatives have been overshadowed in rural areas especially by the Grameen Bank which promotes credit, as a 'human right' and provide the same on the basis of 'trust' and 'group based collateral' for income-generating activities or housing and not for consumption to be taken up by the poor and mostly poor women. As micro-credit comes with both obligatory and voluntary savings programme, the borrowers', capital for-

mation, mutual help is built into a system for providing custom made credit service. Essentially, a women led movement, 'Grameen' scores over co-operatives in terms of innovative lending and building of social capital through adherence to the famous 'Sixteen Decisions' – a social charter emphasising education, housing, joint community actions, clean water, healthcare and environment, tree plantation, etc as propounded by Prof. Md. Yunus, the founder of Grameen Bank, which enabled them to occupy large and unassailable place in rural economy of Bangladesh. Creation of national 'wholesale fund' with the help of the World Bank, PKSF (Palli Karma Sahayak Foundation) to finance the NGO's to enable them to lend to the poor has facilitated growth of micro-credit. There will be a sea change in rural financial system once the micro-finance institutions are allowed to receive deposits and converted into Micro Finance Banks (MFB) to be a part of the formal banking system.

1.1 The co-operatives in Bangladesh in this environment need, above all, capacity to innovate which is not evident at the moment in the functioning of two parallel co-operative structures – (i) traditional agricultural co-operatives administered by Registrar of Co-operative Societies (RCS) and (ii) farmer's co-operatives with two tier and three tier structural pattern under the supervision and control of Bangladesh Rural Development Board (BRDB). The former type, is apparently vacating space for the BRDB sponsored co-operatives

as they are backstopped by project funds and funds from public sector Sonali Bank. Bangladesh National Co-operative Bank is reportedly in bad shape and unable to meet the resource needs of agricultural co-operatives. In fact credit-based co-operatives are under performing and only dairy and housing co-operatives in urban areas are doing well. 500 milk producers coops with about 50,000 members generate and supply about 1,50,000 litres of milk daily to consumers in Dhaka. The position is better in respect of about 63,000 primary co-operatives and Thana (Police Station) level central co-operatives with a membership of about 2.5 million set up under the aegis of BRDB, a government organisation. These co-operatives are however under the dual control of BRDB & RCS. Several matters such as approval of budget of co-operatives, audit, and investment of funds, disciplinary action is accorded by the RCS who is legally responsible for supervision and control of co-operatives. Even the administration of Co-operative Development Fund to which co-operatives contribute 3% of the net profits by the department has left many co-operatives and officials reportedly unhappy. Grant of one time loan waiver, always a populist move in South Asia, did considerable damage to credit co-operatives.

2. The crux of the problem is that the government seems to be in a state of dilemma. Though it continues to provide tax exemptions and concessions and equity to marketing, fishery, dairy,

industrial co-operatives or National Co-operative Bank or support the establishment cost of BRDB, co-operative training facilities and loans in 2003-4 to Milk Co-operatives, all these do not seem to add up to creation of an environment conducive to growth of co-operatives as vibrant sector of the economy. This is mainly because of the presence of a competing NGO sector and in comparison, the co-operatives seem to be rigid, formal with limited innovation capacity. The group based lending that has come to prevail in micro-credit, establishment of Grameen Bank exclusively for the poor and the BRAC (Bangladesh Rural Advancement Committee) initiatives of combining credit with delivery of organisational inputs which are all innovative have enabled the NGO sector to occupy a durable space in the rural poor segment. The challenge before Bangladesh Co-operatives which is similar to some states in India is not reforms in law and policy but in developing capacity for 'innovations' and by social entrepreneurship to raise their 'outreach' which alone could enable the co-operatives to attract external aid especially multilateral and internal support. A close coordination with NGO sector in a mutually supportive mode and not competition for the same space is to be worked out by a participatory/consultative process with the involvement of the government to develop a policy perspective for both the sectors laying down a road map for 'social mediation' roles for co-operatives and NGOs each supporting the other. Such a policy framework

could pave the way for appropriate changes in respective laws and lay the foundation of a vibrant, responsive co-operative sector.

## **Bhutan**

1. The Co-operative Act of Bhutan 2001 contains a chapter (Chapter VIII), somewhat unique, laying down the role of the government in promoting economic and educational development of co-operatives which is not usually found in other co-operative statutes. Article 29 of Chapter VIII states that co-operative development will be a part of national development strategy in every five year plan and all development departments are required to formulate and implement strategies and programmes for co-operatives related to their activities and the technical support for preparation of co-operative development strategy will be provided by the Planning Commission. Article 30 lays down parameters of government co-operative partnership based on mutual respect and understanding and coordination in activities which is again an unique feature of the co-operative law of Bhutan as these are policy prescriptions and since these are included in the law, the provisions have acquired a sanctity.

The co-operative law of Royal Government of Bhutan has undergone substantive changes with amendments to the Co-operative Act of Bhutan 2001 made in 2009. The amendments read with the Act of 2001 have given the following redeeming features of the Co-operative Law and system in Bhutan:

- 1.1 The amendment has made the Ministry of Agriculture responsible for administration of the co-operative act which was earlier the responsibility of the Ministry of Home Affairs under Article 5.
2. The definition of primary co-operatives under Article 2 sub section, (ii) has been changed so as to give a distinct emphasis on agriculture and rural economy as a primary co-operative society can be formed by individual non farmers, and farmers' groups while the earlier definition did not specify the composition. 'Farmers Groups' has been defined as a group of not less than 3 members deriving economic benefits from one or more economic enterprises related to natural resource structure which will cover all aspects of rural economy.
3. All regulatory powers and responsibilities relating to registration of co-operatives, monitoring and evaluation of co-operatives, submission of annual reports by the co-operatives, provision of legal services including training of co-operatives, and issues such as mediation, arbitration as well as division, merger, consolidation and dissolution of co-operatives are now conferred on the Ministry of Agriculture under Article 7 of the 2009 amendment. The Ministry of Agriculture has the power to delegate some of its responsibility including registration and monitoring with the local authorities.
4. The co-operative banks are to be registered first with the Ministry of Agri-

culture and upon grant of license from the Royal Monetary Authority will be in a position to offer banking services to member co-operatives. However, there is a ceiling of 20% on opening of loan portfolio to the general public.

- 1.1 The hierarchy of co-operatives in Bhutan starts with primary co-operatives at base level which can be formed by at least 15 persons. A minimum of five such primary co-operatives from the same industry meaning activities such as agriculture or dealing with similar goods and services and operating in the same area can form a Federation. A minimum of five federations and special types of co-operatives engaged in specific activities like Insurance Co-operatives or Co-operative Banks can form a Union of Co-operatives. Article 11 defines the role and functions of these two special types of co-operatives. The Insurance Co-operatives in Bhutan have an interesting feature as it allows membership to 'Socially Oriented Non Profit Organisations' (NPOs) which means that in this type of co-operatives there is integration of co-operatives and NGOs as under Article 11 at least 15 registered co-operatives and NPOs may organise Insurance co-operatives to provide life and non-life insurance services to the members.
- 1.2 Chapter V dealing with governance of co-operatives confers highest authority to the General Assembly of the Co-operatives which is to elect a Board of Directors both as policy making and implementation body and also appoints

a finance and audit committee and election committee. These provisions follow the broad pattern laid down in co-operative laws in India and this also applies to financial management of the co-operatives. However, Article 18 allows registered co-operatives to accept deposits from members apart from subsidies, grants, donations, etc and in these matters approval of the concerned government authority is essential. Article 25 provides for allocation and distribution of net surplus which contains mandatory provisions to create Reserve Fund, a Co-operative Education and Training Fund and Optimal Fund as a kind of "Buffer Fund" to meet unforeseen losses. Only after meeting these statutory requirements, the net surplus could be passed on to the members as interest on their capital and as return for their patronage of the products and services. The provisions regarding merger and consolidation of co-operatives as well as dissolution and insolvency follow the usual system as embodied in laws of other South Asian countries.

On the whole it seems that the co-operative law of Bhutan as it stands now contains the broad ICA Principles under Article 2 (9) and Article 3 laying down a Declaration of State Policy on Co-operatives with commitment to create a legal environment conducive to growth of co-operatives and recognition of co-operatives as private enterprises based on mutual help and Bhutanese concept of Tsa Wa Sum are in conformity with the co-operative philosophy. The 2009



amendments making Ministry of Agriculture as the Administrative Ministry for Co-operatives is a step in the right direction. On the whole, the co-operative law of Bhutan is substantially ICA Principles compliant.

## **Cambodia**

1. The Royal Decree – NS/RKT/0701/234 on the establishment and functioning of Agricultural co-operatives, Union of the Agricultural Co-operatives and pre-agricultural co-operatives is the major co-operative law taken up for study. Its main features are summarised below:
  1. A minimum of 30 persons can form an agricultural society to be registered with the municipal-provincial departments of agriculture after framing a suitable statute meaning byelaws for the co-operative in conformity with the requirements under article 4.
  2. Article 4 provides for the board of directors, a supervisory committee and board of auditors constituted by the general body which is the 'supreme' and top decision-making body. The constitution of a supervisory committee with powers to suspend the roles of the Board of Directors as and when the board fails to carry out their obligations under article 17, creates an anomalous situation as the Board seems to come under regular supervision and control of this committee. The power of this committee to convene an extraordinary general assembly to constitute a Board of Directors upon suspension of the erstwhile Board places it in a position of superior administrative authority to whom the Board remains accountable. The anomaly becomes more apparent as the chairman of the board has the power to convene and preside over the ordinary and extraordinary general meeting and is also empowered to invite outside authorities like the Commune Sankat Council, District/Khan Governor and Director of Provincial/Municipal parties to attend the general meeting which introduces an element of outside influence if not interference in the functioning of the co-operatives and to that extent reduces the autonomy of the co-operatives.
  3. Under Article 13 in the matter of various disputes arising out of this statute, the power of arbitration rests with the Minister of Agriculture, which gives wide powers to the government as there is no reference to any role for the co-operatives, though in the matter of dissolution of co-operatives the liquidator appointed by the General Meeting of the co-operative is required to prepare the balance sheet and submit the same in the competent court. Thus it is felt that by suitable amendments to this statute, the role of co-operatives can be put down clearly in various stages of functioning of co-operatives as in other state laws.
  4. An interesting feature of this statute is the provision of pre-agricultural societies which can be formed at the most for three years by 25 persons as a private legal entity to raise productivity of their agricultural farms and at the

end of this three-year period, such a pre-agricultural co-operative has the option either to dissolve itself or to seek continuation for a further period of two years giving adequate reasons or transform into a regular agricultural co-operative or join together with other pre-agricultural co-operatives to constitute a single new agricultural co-operative. Merger of this nature would require convening afresh founding general meeting for constitution of a new agricultural co-operative. There is no provision for the supervisory committee in the pre-agricultural co-operatives and Article 47 empowers the Board of Directors to take up all management functions. The concept of a provisional agricultural co-operative is an unusual feature and its justification could only be in terms of successful functioning providing the authorities with the evidence that it will be competent to become a regular agricultural co-operative society. The mechanism for such evaluation does not seem to exist as Article 49 gives a number of options. Therefore inclusion of a clear provision for evaluation after three years may be in order. On the whole the aforesaid law seems to be partially ICA principles compliant.

## China

1. The Co-operative Movement in China has turned out to be a massive economic development vehicle, especially since the evolution of the co-operative structure through the last century until the enactment of the Farmers' Specialized Co-operatives that came into force

in 2007. With the national economy touching new heights, next only to the United States in the terms of total GDP, China has soon realized the potential of its network of 700 Million rural inhabitants along with the urban population for growth.

- 1.1 The most important development in recent times has been the Specialized Farmers' Law and technical associations that are formed on voluntary basis under the guidance of the national federation which is the All China Federation of Supply and Marketing Co-operatives. The importance given to the co-operative sector and the benefits of the same to the economy is evident in the nature of the national apex and the legislative impetus it carries in decision making and policy framing. The introduction of the market system and the reform of the state's monopoly of the purchase and marketing of agricultural products gave farmers decision-making rights on the production, management and sales of some agricultural products, and enabled farmers to play a key role in the production and be responsible for profits and losses. The market-oriented reform of rural China directly created the institution of private property and market-oriented economic system on which co-operative organizations rely for existence. However, the growth of co-operatives has been lopsided due to preponderance of rural co-operatives primarily because of the lack of a national policy and law to promote co-operatives in other sectors such as urban housing, health, education etc.

Article 2 of the law on the Specialised Farmer Co-operatives stipulates that the specialized farmers co-operatives are mutual-help economic organizations joined voluntarily and managed in a democratic manner by the producers and operators of the same kind of farm products or by the providers or users of services for the same kind of agricultural production and operation. Specialized farmers co-operatives mainly serve their members, offering such services as purchasing the means of agricultural production, marketing, processing, transporting and storing of farm products, and providing technologies and information related to agricultural production and operation. Some of the key points pertaining to the law are stated below,

1.2 The farmer Co-operatives are based on the rural household contract system. There is government's direct financial support, grants from other parties along with tax breaks, banking services, technical assistance, human development and direction of industrial policies. The regulation on Registration of farmer Co-operative is made by the State Council and there are no registration fees. The Director is the legal representative of the Co-operative. A Co-operative may appoint an executive supervisor or a Supervision Committee. The Director, members of the Board of Directors and management may not assume the role of Supervision Committee. Members of Board of Directors and the management of a Co-operative shall not assume positions of members of Board

of Directors and management of other Co-operatives undertaking similar business. Civil servants who are engaged in the operation of a Co-operative shall not assume such positions as members of Board of Directors, members of Supervision Committee, management or accountants. The Bankruptcy Law applies to Co-operatives. After paying the cost of liquidation and claim against a Co-operative, the remaining money shall be used to pay unsettled bills of transactions with farmers members.

The principles observed while professing the co-operative economy according to this law are enshrined under Article 3:

- (1) The members are mainly farmers;
- (2) They aim to serve their members, working for the common interests of all the members;
- (3) The members join the co-operatives voluntarily and are free to withdraw from them;
- (4) The members are equal in status and democratic management is practiced; and
- (5) Profits are to be distributed mainly in proportion to the volume (amount) of

**The growth of co-operatives has been lopsided due to preponderance of rural co-operatives**

the transactions effected between the co-operatives and their members.

- 1.3 Article 8 states that the State promotes the development of specialized farmers co-operatives through such measures as government financing, preferential taxation, support in fund raising, science and technology support as well as training of personnel, and guidance through industrial policies. Article 9 elucidates the role of the People's governments at or above the county level, those shall make arrangements for the administrative departments of agriculture and the relevant departments and organizations to provide guidance, support and services to the formation and development of specialized farmers co-operatives, in accordance with this Law and within the limits of their respective duties.

Article 15 stipulates the composition of the society wherein, farmers shall account for at least 80 percent of the membership of a specialized farmers co-operative. If the total number of members of a co-operative is 20 or less, there may be one enterprise, public institution or organization as its member; if the number exceeds 20, the number of enterprises, public institutions or organizations shall not exceed five percent of the total number.

The system of "one person, one vote" is mentioned under Article 17 wherein this system shall be adopted for election and voting at the membership assembly of a specialized farmers co-

operative, and each member shall have the right to one basic vote.

The duties of the members of a specialized farmers co-operative are as here under.

- (1) to execute the resolutions of the membership assembly, the conference of members' representatives and the Board of Directors;
- (2) to make capital contributions to the co-operative as stipulated in the charter;
- (3) to effect transactions with the co-operative as stipulated in the charter;
- (4) to share losses as stipulated in the charter; and
- (5) other duties as stipulated in the charter

The department of Finance under the State Council shall establish a financial and accounting system for the specialized farmers co-operatives in accordance with relevant laws and administrative regulations of the State. According to Article 32 and Article 50, the Central and local governments shall respectively allot funds to support the specialized farmers co-operatives in providing services in respect of information, training, quality standards for farm products and their authentication, construction of infrastructure for agricultural production, marketing, technology dissemination, etc with priority to co-operatives comprised of ethnic minorities in China.

2.0 According to the report made after the National People's Congress Standing Committee law enforcement inspection team conducted a nationwide scrutiny of Farmer's Professional Co-operatives, the law on Specialised Co-operatives is viewed as "an important law guiding, supporting and standardizing the development of rural co-operatives," and aiming at playing a significant role in promoting rural development and enhancing the farmers' chance of having a stable source of income. Statistics show that by the end of June 2011 the number of registered special rural co-operatives had reached 58,072, with 771,850 members investing in total 43 billion RMB (6.27 billion U.S. dollars) and that the annual income of rural co-operative members were generally 20 percent higher than non-co-operative members.

The structure of rural co-operatives indicates five levels. (i) Primary Co-operatives at the village level. (ii) County federations. (iii) City Federations. (iv) Provincial Federations and (v) the National level China Federation of Supply and Marketing Co-operatives. A highly organised system is in place to provide the farmers with extension, credit inputs and marketing services including post harvest technology and storage support. Success of farmers professional co-operatives explains high productivity and sustained growth of Chinese agriculture and modernisation of rural economy.

However, many co-operative organizations have been controlled by the

founders, and the participation of ordinary member farmers in the management is low and, no system of incentivising the sharing of benefits and risks among members is seen in the organization. Hence provisions that counter the low proportion of member farmers and non-member farmers joining co-operative activities could be inserted with much clarity that currently finds expression in the failure to form a democratic decision-making system in the governance of farmers' professional co-operative organizations, and further to build a revenue distribution system according to the principle of returning the surplus to the members in a fair and transparent manner. Even this brief review of China rural co-operatives leaves one impressed with its massive growth and contribution to rural economy. However in the absence of any constitutional right granted to the citizens to form co-operatives and backed up with a comprehensive co-operative development Policy, a transparent system to freely register co-operatives on diverse subjects and provide necessary support services as in market oriented economies, the success of the agricultural supply and marketing co-operatives is apt to be seen as a kind of 'guided co-

**Success of farmers professional co-operatives explains high productivity and sustained growth of Chinese agriculture and modernisation of rural economy.**

operatives'. And the size and diversity of China suggest the need for Province specific laws and policies and decentralization of powers of the state in regard to supervision of co-operatives. It is thus hoped that as the economy expands and diversifies further, space for co-operatives in diverse fields will be created and under appropriate policies and systems, viable co-operatives will emerge and play a balancing role in the Chinese economy.

## India

1. As mentioned the introductory paragraph 2, the co-operative law and policy in India have undergone significant changes in the 1990s with liberalisation or opening of the economy to allow greater play of market forces. In practice, this meant a reduction in government's role in supervision and control of economic enterprises, including co-operatives; changes in law and policy followed but not drastically but in a manner which might appear typically Indian of allowing the old and the new, more open, less government controlled systems of management of co-operatives to continue side by side. This 'dualism' is possibly inherent as the subject of co-operative societies is in the state list Entry No 32 of the Constitution and the states are free to enact their own laws and the central legislature is only empowered to enact laws pertaining to Multi State Co-operative Societies which operate in more than one state as this subject is in the Union list Entry No 41 of the Constitution.

1.1 Since the states are free to enact laws for the 'new generation' co-operatives without repealing the extant State Co-operative Societies Act, two kinds of co-operatives have come to exist and this phenomena is called "parallel enactment of new co-operative Acts" one on the lines of the Model Act Circulated by the Planning Commission, Government of India which allows much greater autonomy to the co-operatives and the other the old state Act with restrictive features and especially exercise of vast powers of the RCS to intervene as in the colonial period. However, the new law provides for migration of co-operatives registered under the old law to the new law/system of governance. Such a phenomena exists in as many as 9 states (Andhra Pradesh, Bihar, Chhattisgarh, Jammu & Kashmir, Madhya Pradesh, Karnataka, Rajasthan, Orissa and Uttarakhand) where during 1995-2003 new co-operative laws were enacted to govern and regulate 'mutually aided' co-operative societies. The aforesaid order of the Supreme Court at page 51-54 addressed the practical issue arising out of the application of these two laws. The truth is that the old Co-operative Societies Act has been in vogue for so long that it has acquired a "settled status" as observed in the report of the Task Force on Revival of Co-operative Credit Institutions appointed by the Government of India (December 2004). Considering this position, the Task Force recommended a package of legal and institutional reforms to restructure co-

operative credit societies and the following course of action within a time frame.

First, the introduction of a parallel liberal law similar to the Model Law provided in the Report of Task Force. Second, states which do not pass the model law should include a special chapter for Agricultural and Rural Credit Societies in the extant coop Societies Act incorporating the provisions of the Model Co-operative Law. **(Annexure V)** According to the implementation report 21 states have already amended their co-operative laws based on the model law and the restructuring process is continuing. A statement on the performance of Primary Agricultural Co-operative Societies in India (2009-2010) furnished by the NCU is at **Annexure VI**

- 1.2 The reforms are critical for PAC's and the CCS in general because in the institutional agricultural credit, share of the co-operatives has declined from 62% of the total institutional credit for agriculture in the 90s to 25.3% in the 10th Plan and to around 16% in the first 3 years of the 11th Plan (2007-8 to 2009-10) though in absolute terms, the annual credit from co-operatives had increased which shows that commercial banks, regional rural banks and other institutions are making rapid inroad into the traditional sphere of co-operative credit activities. The position is very different in sectors like urban

housing, dairy, banking, sugar, fertilisers, marketing, handlooms and handicrafts, fisheries, tribal development, labour welfare and self-employment of families of industrial workers, etc where the co-operatives as a mechanism for socio-economic betterment of the varied segments of under privileged and middle class people are firmly established. In dairy sector, the success of Operation Flood Program of organising co-operative dairy units in which women led dairy units constitute a major segment has been most remarkable. With 75,000 Village Societies linked to 170 District Level Co-operatives in a federal co-operative marketing structure in 22 states and 10 million Farm Family members, the co-operatives enabled millions of dairy farmers to get out of the poverty trap.<sup>12</sup> On the whole the Indian Co-operative Movement is the largest in the world with about 240 million members and over 600,000 co-operatives from village to national level with huge untapped potential for future growth and expansion into new areas. However, experts are of the view that mere recapitalisation of PACs and improvement of balance sheets of DCB and SCB and even induction of professionals in the Boards of CCS at all levels will not bring about any structural improvement unless the PACs are redesigned and made capable of taking multifarious functions to serve the economic needs of the rural communities. It is argued that PACs can be revived only if they could serve as 'one stop

<sup>12</sup> *India's White Revolution – Bruce A Scholten Tauris Academic Studies 2010*

shop' for farmers and others in villages providing them a wide range of services and facilities, such as credit, input supply, procurement of surplus produce, cold storage and warehousing, assistance in accessing land records, extension advice and receiving deposits and providing information on wealth market, lending through RRBs and CBs against warehousing receipts, etc. Such multipurpose or multiservice providing co-operatives and professionally managed might be in a position to develop partnership with other institutions. Improving deposit safety at the PACs and allowing depositors the right to vote are also suggested to make them real stakeholders and also incentivising the habit of thrift among the members.

2. In this environment, the enactment of the historic 97th Constitution Amendment Act 2011 by the Parliament making the right to form co-operative societies a fundamental right of the citizens has acquired great significance. The Act has accorded right to set up a specialised agency on the lines of the Election Commission which can conduct election to co-operative societies. The

**It is argued that PACs can be revived only if they could serve as 'one stop shop' for farmers and others in villages providing them a wide range of services and facilities.**

amendment adds a new Directive Principle of State Policy in the Constitution 'that the State is to promote voluntary formation, autonomous functioning, democratic control, professional management of co-operative societies.' The main features of the amendment are as follows:

1. Right to form co-operatives is a fundamental right of all citizens.
2. Co-operatives could set up agency which would oversee elections.
3. Uniformity in the tenure of Co-operative Board of Directors.
4. Provisions for incorporation, regulation and winding up of co-operative societies based on the principles of democratic member control, member economic participation and autonomous functioning;
5. Limiting the maximum number of directors of co-operative society to not exceeding twenty-one members;
6. Providing for a fixed term of five years from the date of election in respect of the elected members of the board and its office bearers;
7. Providing for a maximum time limit of six months during which a board of directors of co-operative society could be kept under supersession or suspension;
8. Providing for independent professional audit;



9. Providing for right of information to the members of the co-operative societies;
  10. Empowering the State Government to obtain periodic reports of activities and accounts of co-operative societies;
  11. Providing for the reservation of one seat for the Schedule Castes or the Scheduled Tribes and two seats for women on the board of every co-operative society, which have individuals as members from such categories.
  12. Providing for offences relating to co-operative societies and penalties in respect of such offences;
- 2.1 The constitutional amendment further inserts new provisions (adding Articles 243ZH through 243 ZT), outlining guidelines for administration of co-operative societies as hereunder:
- i. The state legislature shall specify the number of members of the Board of Directors of a co-operative society. The number is limited to 21. The term of the Board is for five years. On every Board of co-operative society, one seat shall be reserved for a person included in the List of Scheduled Castes or Schedule Tribes and two seats shall be reserved for women.
  - ii. The election of members to the Board must be conducted before the expiry of one. The state legislature would outline the guidelines for conducting such elections.
    - iii. The state legislature shall make provisions for co-opting any person having expertise in the field of banking, management finance or specialisation in a field related to a co-operative society as members of the Board. A maximum of two such persons can be taken to the Board. The co-opted member would not have the right to vote in any election to a co-operative society or be eligible for election as Chairman, President, Vice Chairman or Vice President.
    - iv. The Board of a co-operative society can be superseded in case of (a) persistent negligence in the performance of its duties; (b) commission of any act prejudicial to the interest of the co-operative society or its members; (c) and if there is a stalemate in the constitution or function of the Board; or (d) the general body has failed to conduct elections as per the required procedure.
    - v. A Board cannot be superseded or suspended for more than six months. In case a Board has been superseded the administrator appointed to manage the affairs of such a society shall arrange for conducting elections within the specified time period.
    - vi. The Board of co-operative society which does not have any shareholding or loan or financial assistance from the government cannot be superseded. (This will have the effect of virtually freeing such co-operatives from intrusive state control and allow them to function as autonomous member controlled enterprises)

- vii. The provisions of the Banking Regulations Act 1949 will be applicable to banking co-operative societies.
- viii. The state legislature may define the offences and penalties related to co-operative societies. An offence is committed if:
  - (a) a co-operative society files a false return,
  - (b) wilfully disobeys any summon or requisition issued under the state Act,
  - (c) any employer who, without sufficient cause does not pay to the co-operative society the amount deducted from an employee within a period of 14 days.
  - (d) any officer who wilfully does not hand over custody of books, accounts or cash of a co-operative society to an authorised person and
  - (e) any person who adopts corrupt practices before, during or after the election of board members or office bearers.

The above changes have given rise to hope that it would usher in an era of professionalisation and democratisation and together with the structural reforms mentioned above will strengthen the co-operative movement.

## Indonesia

1. Indonesia has a vibrant co-operative sector as there are 1,41,330 coops of which 1,40,480 are primary coops, 850 secondary coops and 7,150 are agri-

cultural coops. The membership of all co-operatives was 27,773,133 in 2007. The capital base is impressive-Rp.16,790,861.00 as own capital with a debt capital of Rp 22,062,212.00 and a business volume of Rp.3,216,818.00. {Source; Research and Development, Ministry of Co-operatives, 2007} The estimated share of the co-operative sector in the economy is 38% which indicates the importance of the sector. The seven ICA Principles have been incorporated in the Indonesian Co-operative Act No 25 of year 1992 which also lays down a three tier organisational structure consisting of a General Assembly, Board of Directors and a Board of Supervisors. The merits of co-operatives as a form of people based economic enterprise as evident during the recent global economic meltdown have persuaded the Government of Indonesia to accord due importance to the co-operatives in the economic policy. In the agriculture sector co-operatives are strong-in Dairy with 90300 members and in coffee, coconut and palm oil plantations. In dairy, 230 co-operatives have a marketing tie-up with milk processing industry and coffee co-operatives too have a similar arrangement through PUSKOPI (Centre of coffee co-operatives) for processing into Coffee powder. 200 palm oil co-operatives participate in a collaborative programme with processing companies. The co-operatives receive technology support from the Government through the State Extension and Agricultural University system and also from NGO's. The Government also supports farmers

by providing loan capital through credit scheme programme, for example KUT (farmers' business credit).

- 1.1 The co-operative law apparently suffers from certain rigidities such as the provision for appointment of a committee of supervision which is also elected by the general body of the co-operative society and entrusted with the responsibility of supervising the implementation of the policy and management of the co-operative society. In effect it means a body above the Board of Directors, also elected by the General Body to carry out the functions of the co-operatives. This arrangement, which does not exist in a number of other national co-operative laws has introduced an element of avoidable supervision and is likely to constrain the independent functioning of the Board of Directors. The main issue is the accountability of the committee of supervision. Since both the Board and this committee are accountable to the general body, it is likely to create administrative problems such as delay in implementation whenever there is a difference in opinion and whenever the Board decides to make a reference to the general body.
- 1.2 The role of the Government in case there is a difference between the board and the committee of supervision needs a clear statement in the law. Under article 47 the Government enjoys the power to dissolve co-operatives whenever there is evidence that the co-operative concerned does not fulfil the conditions or meet the provisions of law or

its activities are contrary to public order or its survival cannot be assured. While the state power in such a contingency is unexceptionable, the procedure of taking action under this provision has to be transparent beginning from the issuance of the show cause notice; the process of enquiry laid down in the rules made under the law does not seem clear and this leaves the matter of how the Government takes decision or issues the notification- *suo moto* or otherwise, somewhat vague and unclear. If however, the members of a co-operative themselves decide to draw up a plan of dissolution, the co-operative is required to submit the same to the Government. On the whole in this matter the position of the co-operatives seems to be weak till suitably amended.

Art 63 leaves the area of activities of the co-operatives broad enough to cover all fields of peoples' economic life and the Government is in a position to earmark certain sectors for co-operatives if a policy decision is taken to that effect. Other provisions such as limiting the return on capital to not exceeding the interest rate prevailing in the market or the net surplus to be proportionate to the business contribution made to the co-operative by the members and emphasizing self-reliance, co-operative education and cooperation among the co-operatives at local as well as international level or the co-operatives being not only business enterprises but also people's movement with a social character are likely to add strength to the co-operative sector.

The role assigned to the secondary co-operatives seems to be similar to that of the committee of supervision which seems to be an anomaly that needs a resolution. An interesting feature of the Indonesian co-operative law is the provision to allow co-operatives to float shares of the co-operative in the capital market for capital mobilisation. The buyers of such shares however do not enjoy the voting rights but can be involved in the management and supervision of business. The conditions for flotation of such shares-the proportion of equity or preference or purpose - general or specific need clear policy directive to safeguard the co-operative character. Chapter 8 dealing with efficiency in business provides for savings based loan business and underscores' socialisation of co-operatives 'which need some clarification because co-operatives by definition are social enterprises. Similarly Art 47 dealing with "co-operatives found to be lacking in morality" which might attract legal action needs clarification about the basis of such action. Could it be a court order or bankruptcy or any other infirmity? On the whole, the co-operative law of Indonesia may be regarded as partially ICA principles compliant.

However, the state commitment to co-operatives is stated in clear terms in the 1945 Constitution especially Art 33 Para 1 emphasizing the pivotal role accorded to co-operatives as a form of enterprise for attainment of national prosperity. The concept of socialisation

of co-operatives is somewhat unclear in the memorandum of elucidation of the law of the Republic of Indonesia concerning co-operatives except that it suggests that the government is free to decide what field of economic activities can be primarily set apart for the co-operative sector only. This implies some kind of reservation though it has not been spelt out as such. The provision allowing the co-operative societies to mobilize capital from sale of shares to members as well as non-members also needs clearer statements of how this will be apportioned between the members and the non-members to maintain the member controlled enterprise character of the co-operatives. The second part on the aforesaid memorandum lays down the co-operative principles under Article 5 which are in conformity with the ICA principles. It appears therefore, that an appropriate legal and policy framework is in place save and except that the role of the comity of supervision in the functioning of the co-operatives vis-a-vis the Board of Management might require some refinement especially when Article 32 provides for appointment of a manager by the Board of Management to manage the business of the co-operatives which in effect means that this functionary will act as a Chief Executive Officer responsible to the Board of Management. In this pattern of management the three entities have to operate in a co-ordinated manner to achieve the common objective. In reality this may entail some functional difficulty. Also under Article 41 laying down the capital structure

there is clear provision for borrowed capital from banks and other financial institutions as well as bonds and other securities. It appears that the role of Own Capital under subsection 2 and Borrowed Capital are given equal importance while Article 22 also provides for raising of share capital. In theory the proportion of borrowed capital and share capital from non-members will require a form of sophisticated financial management for ensuring sufficient returns from use of capital raised from outside the members because the investors would be keen to derive fair and assured return on their investment. A co-operative society would be able to draw such funds only when its base is sufficiently strong to absorb external capital and, therefore presumably only large co-operatives in the consumer and the service sectors with quick turn over might be in a position to gainfully use such borrowed capital. The co-operative law, though comprehensive may require more detailed provisions to cover future activities in areas such as value addition, health, education, small industries and also to deal with settlement of disputes through a transparent process of arbitration under the co-operative law. The co-operative policy may also consider creation of a system for capacity-building of co-operatives through staff training and professionalisation of management.

## Iran

1. The co-operatives have been in existence in Iran for over a century and presently there are about 164959

co-operative societies functioning in diverse fields like consumer supply, transportation, handicrafts-carpet-manufacturing, agriculture, housing, industrial, multipurpose co-operatives, etc employing about 2 million persons. The co-operatives share in the GDP is now about 9% and is projected at 25% at the end of the Plan which appears to be rather ambitious given the fact that co-operatives are yet to attain a growth momentum of their own and depend heavily on Government support in various forms including grant of 25% exemption in taxes allowed to the co-operatives. The Iran Central Chamber of Co-operatives is the apex body of the co-operative sector and is responsible for coordinating the activities of co-operatives and provides all types of capacity-building support to the co-operatives apart from representing the sector and its case in all matters before the Government and the Legislature and different councils. ICCC also coordinates inter co-operative relations. It is in fact a lobby for the co-operative sector and seems to be quite effective as the co-operatives have strong presence in the Parliament.

- 1.2 The co-operative law in every country reflects a specific historical and socio-economic context and Iranian co-operative law has to be seen in this perspective. In the preamble of the Act on co-operative sector of the economy of the Islamic Republic of Iran, prevention of concentration of wealth, attainment of full employment and encouragement of private management in building of

enterprises for creation of jobs are the stated objectives of the state apart from prevention of monopoly, high prices and developing people's participation as the basis of economic activities. Article 26, 27 categorize co-operatives into two- Production co-operatives and Distribution co-operatives. The former covering agriculture, livestock and such other productive activities in urban and rural areas and is accorded a higher priority over distribution co-operatives which basically deal with housing and all civil supply related activities. There is a third category called the trans-provincial co-operatives which are much like the Multi state co-operative Societies in India, though this is not a function based classification. Under Article 25 which lays down the apportionment of net profit of co-operatives, there is a provision for the creation of a Legal Reserve Fund, built with obligatory minimum of 5% of the net profits in addition to the reserve fund and the co-operative fund to which 4% of the net profits respectively have to be also deposited annually and only upon deduction of the said funds, the remaining portion is to be distributed to the members after payment of bonus and remuneration to Directors, employees and inspectors. The purpose for which Legal Reserve Fund is to be used, is not mentioned in the statute which is essential for appreciation of activities of co-operatives.

- 1.3 A similar special feature of co-operatives in Iran is the provision of Inspectors for co-operatives under Article 29.

While General Assembly is the supreme authority and the Board of Directors responsible for functioning of co-operatives and especially its programmes and activities, the inspectors are also appointed by the General Assembly either from real or legal entities for one fiscal year with no restrictions on their re-appointment. The Board of Directors is also elected by the General Assembly under Article 36 consisting of at the most seven principal members and at least of three persons for a period of three years. The duties of the inspector under Article 40 are wide ranging and not confined to supervisory activity over the work already done but include a kind of role that is best explained as the power of 'superintendence and control' providing thereby a broader interpretation of the term inspection which is reflected under Article 42 as "Should each one of inspectors recognize that board of directors and/or Managing Director have committed certain violations in performing the entrusted duties and they ignore their warnings, they must request board of directors to convene general assembly and to consider their report". *Prima facie* the Board of Directors seem to be subject to a system of dual control of the General Assembly and the inspectors which merits a review, read with note 1 of Article 13 on General Assembly which lays down that each and every government organisation, corporation, bank, state Islamic councils which have a partnership with or investment in co-operatives may have a representative as observer in co-operatives for

supervision and inspection and participating in the sessions of General Assembly and Board of Directors, the overall picture is not quite conducive to growth of a member controlled enterprise which is the essence of the co-operative character. The note 2 of the same Article states that any proposal of dissolution or merger or amendment to the Articles shall be subject to the approval of the authorities mentioned in note 1 which brings the co-operatives under multiple authorities and is not helpful towards the growth of Co-operative autonomy. The concept of inspection has been also introduced in the structure of the co-operative Union under chapter 7. The provisions relating to Dissolution and Liquidation under Article 54 are exhaustive and provide a strong supervisory role to the Ministry of Co-operatives which is essential for growth of co-operatives. Chapter 10 dealing with the Institution of the Central Chamber of Co-operatives is an innovative feature of co-operative law of Iran providing for a wide role for the chamber – not merely co-ordinating the work of co-operatives and Co-operative Unions but also to settle disputes and arbitration in the affairs of co-operatives. The chamber also will have its inspection board. Chapter 6 dealing with the role of the Ministry of Co-operatives empowers the ministry under Article 65 with a broad supervisory role for ensuring implementation of Rules and Regulations and also to promote growth of co-operatives. It is also responsible for management of the Co-operative Fund. The 30 point

charter of duties assigned to the Ministry of Co-operatives under Article 66 is remarkably exhaustive reflecting the government policy to promote growth of co-operatives in all socio-economic sectors and specifically support capacity building of co-operatives. On the whole, the Iranian Co-operative law lays down the legal and financial framework of the co-operatives but also includes a policy statement underscoring and expanding the co-operative sector as a means to achieve social equity, prevention of 'occurrence of wealth hoarding by special groups' as well as 'prohibiting government from turning into an absolute authority' which implies the democratising role for the co-operatives much beyond the idea of a business enterprise with a social face as commonly perceived. This is the content of Para 47 and 48 of the General Policies of the Fourth Development Plan of Iran on the role of Co-operatives.

## Japan

1. Japan has no common or comprehensive law applicable to all types of co-operatives and there has been no thought of doing so. Instead, it has separate laws for single purpose co-operatives such as Agriculture Co-operatives, Fishery & Forestry Co-operatives, Dairy, Horticulture, Health & Welfare Co-operatives,

**On the whole, the Iranian Co-operative law lays down the legal and financial framework of the co-operatives.**

etc. There being no single nodal Ministry responsible for the co-operative sector, each of these single purpose co-operatives comes under the administrative control of a particular ministry which lays down the policy and provides the legislative cover. However, the importance of the co-operatives in Japan is evident from the fact that roughly one third of Japanese households are members of co-operatives. The government does not hold equity in the co-operatives and have decentralised its powers so that the primary co-operatives are registered with the Prefectural Governments while the Federations and the Unions are regulated by the Central Government. A brief review of the Agricultural Co-operative Law is attempted below.

- 1.1 The object of the law is promotion of sound development of "Agribusiness persons co-operative system improving thereby agricultural productivity and the socio-economic status of the agribusiness persons. The term agribusiness person has been so defined as to exclude one that employs a workforce of 300 or more and holds a capital stock contribution of Y 300 million or more meaning that the co-operative is to serve primarily individual farmer or farming households (the size of average Japanese farm holding is 1.9 ha). The term agriculture is broadly defined to cover cultivation of seasonal crops, animal husbandry, sericulture and even the business of producing charcoal. Article 6 provides for tax exemption while Article 8 makes it clear that

the object of co-operative business shall not be profit making but service to its members as explained in Article 10 stressing improvement of management of agriculture, accepting members savings and provisioning of joint use facilities of various types necessary for improvement of business of members such as mutual relief, insurance, land development, medical facilities, etc. The list under Article 10 is exhaustive. Co-operatives are classified into capital stock and non-capital stock meaning that while the former can accept members savings and provide mutual relief insurance and conduct farm management on commission from its members, the others cannot take up such business activities. Under Article 26, an agricultural co-operative may allow admission of citizens residing in its vicinity as associate members without voting rights who can derive benefits from its services. However, their use of services is limited to not more than one-fifth of the services available to the members in a business year. Each member has one voting right and one right to elect officials and representative member regardless of the number of shares held as permissible under Article 13(2). Article 30 provides for 5 Directors and 2 Auditors or more who will be elected at a general meeting. At least two-thirds of the established number of the Directors in an agriculture co-operative society shall be its members excluding the associate members. An important feature under Article 30(2) is the provision of appointment of business management



commissioners by the co-operatives as its officials in accordance with the articles of its incorporation whose number shall be fixed at 5 or more and at least three-fourth shall be individual members or officials of corporate members. However, business management commissioners of a newly set up organisation shall have to be named from among the agribusiness persons. This is to bring in professionalism in management as detailed under Article 32 in close coordination with Board of Directors in a mutually supportive mode. In the list of the duties of the Board under Article 33, there is an important provision, not usually found in other co-operative laws (Article 33 (2) &(3)) which makes the Board collectively responsible and liable to compensate the co-operatives in proven cases where the Board have neglected to perform their duties and the liability extends to a Third Party. The provisions for audit of special co-operatives by the Central Union of Agricultural Co-operatives under Article 37(2) and those under 1996 amendments laying down that more than one-third of the auditors elected should be non members are designed to ensure a professional approach to audit of agricultural co-operatives engaged in credit business.

1.2 From the post World War II period, the agricultural co-operatives in Japan have evolved through consolidation into 730 large consolidated co-operatives with a huge membership base of 9.5 million (the average membership of a co-op-

erative society being 10,851 members) which entailed some difficulty in making General Body an effective forum for taking decision. To obviate this, Art 48 has introduced the concept of representative members who must be full members and not associate members and elected by members at their General Meeting for a term not exceeding 3 years. Clause 3 of this Article lays down a limit to representative members for a co-operative having over 2500 members or 500 members.

1.2.1 The provision (Article 51) regarding accumulation of Reserve Fund by setting aside 10% or more of the surplus for each year and fixing a minimum at 50% of the total amount of capital stock are designed to stabilise the business operations. The payment of surplus dividends to the members proportionate to the use made by a member of the business of the capital stock of the co-operative in proportion to the paid up amount of the capital and limiting it to 8% as per the decision of the Government is in keeping with the co-operative principles. To establish an agricultural co-operative, 15 or more farmers are required to act as Promoters and to establish a Federation of co-operatives two or more co-operatives are to act as Promoters. The power of registration of Primary Agricultural Co-operatives rests with the Branch Office of the Legal Affairs, Ministry of Law at all Prefectures. Chapter III of the Co-operative Law provides for creation of Central Union of Agricultural Co-operatives and Prefectural Union of Co-op-

eratives to secure sound development of co-operatives in the national and prefectural levels and the former having the right under Article, 72-73 to issue directives to Prefectural Unions on matters relating to business plans or accounting, etc. and to lay down basic policies to promote coordinated growth in business. The statutory role of the member co-operatives, the functional details of Unions and the Auditors and conditions for dissolution and liquidation as well as the supervision of co-operatives have been covered with adequate safeguards giving due opportunity to the co-operatives to explain their position.

2. Since co-operative law in Japan are sector specific there are important differences. Consumer co-operatives are not allowed to get into credit business. Possibly for this reason, there is no separate law relating to accounting standards of consumer co-operatives who have evolved their own accounting standards to be followed by member co-operatives. Health co-operatives in Japan (Hew Coop Japan) are a part of consumer co-operatives and established under Consumer Co-operative Law have special features – (i) any resident can become a member by investment and also staff of Health Coops and (ii) non-member can use services upto a ceiling of 50% of the total business volume of a co-operative society. A relaxation has been allowed in case of Health Co-operatives because Consumer Co-operative Law of Japan restricts use of retail co-operatives to

its members. These co-operatives indirectly joined JCCU through Hew Coop Japan.

- 2.1 An interesting recent development in co-operative sector of Japan is the growth of Japan Workers Co-operative Union (JWCU) and its demand for a separate worker co-operative law which has been able to secure considerable support of Japanese Parliamentarians and the Diet Members of the Democratic Party are reportedly discussing the details of the legislation. The concept of a workers co-operative is based on a definition of worker and associate work as distinct from an 'employee' and of people who create their own jobs like self-employed, make capital contributions and have control over management is still uncommon in Japan. JWCU seeks a new legislation on 'associated work' as the legal instrument of raising 'the spirit of creating own jobs' to improve quality of work to develop a new public sector through associated work. The JWCU executives pointed out that the ILO definition of worker is in line with the definition of JWCU and the need for a general comprehensive co-operative law in Japan which will provide legal cover to all types of co-operatives as the existing sector specific laws and different Ministries providing administrative and legal support to sectoral co-operatives is not adequate to promote growth of co-operatives in emerging social and ethical co-operatives. Founded in 1979, JWCU consists of 66 member organisations of primarily worker co-operatives, older

persons co-operatives and affiliated organisations embracing 11,217 worker members as of September 2009 with a turnover of 124.95 billion yen in fiscal year 2008. It is thus a new force in the co-operative movement.

- 2.2 While examining co-operative law and policy of Japan, one must remember the vast spread of co-operatives in the economy and society. Consumer co-operatives alone have 25 million strong membership with a annual turnover exceeding 3 trillion yen. Agricultural co-operatives have 9.5 million members including 4.7 million associate members with a turnover (value of supplies) of 3.30 trillion yen in the financial year 2008. These facts indicate success of state policies and laws and the government have consistently shown through action its commitment to co-operatives by changing laws and sectoral policies to sustain the strategic role of co-operatives reflected in the Japanese 'Basic Plan for Food and Agriculture'. It is thus hoped that the government will duly consider the demand for a comprehensive co-operative law as mentioned above taking into account the future and expanded role of co-operatives in the economy.

## Republic of Korea

1. In the early 1960s, in Korea the realities of agrarian rural life were harsh. Development efforts had to be efficiently organized with very limited resources. In order to optimize these resources, therefore, Republic of Korea chose a multipurpose co-operative system to

meet the diverse needs of farmers, mostly living on small-scale farms of only about 0.9 hectares (ha) on average. During this time, the National Agricultural Co-operative Federation (NACF), the umbrella organization of farm co-operatives, was launched and merged with the Agricultural Bank, which provided financial support to the various programmes. International Co-operative Alliance on its Global 300 list of mutuals and co-operatives, ranked NACF fourth by 2005 turnover, making it the second largest agricultural co-operative in the world, as well as one of the world's largest co-operative banking organizations. The NACF now operates more than 800 bank branches and over 600 business centres for marketing and processing as well as various subsidiary enterprises while managing institutions (e.g. training institutes, an agricultural co-operative college and the Farmers Newspaper). In banking alone, the NACF network holds the largest amount of deposits in the Republic of Korea (US\$160 billion), including mutual credit for member co-operatives which would be ranked top among domestic banks, including all commercial banks. In marketing, more than 40 per cent of total farm production is handled by agricultural co-operatives.

- 1.1 The development of Korean agricultural co-operatives

Korean agricultural co-operatives were formed and developed on the basis of small-scale farming. Meanwhile, the Korean agricultural co-operative system

has been influenced by government policy and its political, economic and social environment. Agricultural co-operatives are the most prevalent type of organization in the Republic of Korea. Therefore, their business and management systems have had a significant influence on other co-operatives. They also lay claim to large business volumes and organizational structure and thus contribute considerably to the rural and national economy. After Korea's independence from Japan in 1945, government policy allowed agricultural co-operatives to take over previously established facilities and organizations, including national credit co-operatives and agricultural associations. It became easy for Korean agricultural co-operatives to become the prominent organization in the co-operative movement in the country. In the 1960s, agricultural co-operatives implemented agricultural policy and were given substantial support from the Korean government, which made rapid co-operative development possible.

In the 1950s and 1960s when Korean agricultural co-operatives were established, Korean farmers generally did not have the will or the means to develop a co-operative system. At that time, rural communities were devastated and suffered from chronic food shortages. Most Korean people felt it was important to build up a government-led co-operative system to facilitate the recovery of the rural economy. Thus, the Korean agricultural co-operative system was established in a top-down fashion.

First, the Agricultural Co-operative Law was enacted and the establishment of the national federation then followed. Finally, county-level co-operatives were organized. Korean agricultural co-operatives constructed their business system in a short time by taking over previously established agricultural organizations such as the former Agricultural Bank.

The year 1988 marked another milestone with the enactment of the new Agricultural Co-operative Law. This law introduced the direct election of presidents of regional co-operatives as well as the chairman of the federation. It also took away the right of local governments to supervise regional co-operatives.

## 2. Co-operative Legal Mechanisms in Republic of Korea

Agricultural Co-operative Laws of the Republic of Korea vide Article 57 describe comprehensively about the businesses that can be undertaken by such co-operatives. Another important feature of Korean Agricultural Co-operative Law is inclusion of provisions for specialised business co-operatives. The Chapter IV of this Act clearly defines the purpose of such co-operatives and types of business handled by them. Agricultural Co-operative Laws of Korea provide for autonomy of co-operatives in their working and operation. Article 1 itself mentions that purpose of co-operative law is to promote autonomous co-operatives. The powers of election,

duties and responsibilities of the Board of Directors have been clearly defined as the Korean Law makes an unique provision vide Article 44 (organisation and operation of the Advisory Committee for Evaluation of operations). Such a Committee is constituted by the Co-operatives to evaluate the operational status of co-operatives and to make recommendations on improvements needed in the working of co-operatives.

## 2.1 Multipurpose Co-operatives

The Korean agricultural co-operative system is unique in its diversity of business and activities, which include banking, insurance, agricultural marketing and extension services. Furthermore, its banking business is similar to that of commercial banks in supporting financing for other businesses. Initially, a multipurpose system was adopted because extension support for Korean farmers was essential. Korean farms were then small (i.e. under 1 ha farming,) therefore, Republic of Korea considered the Japanese case where small-scale farming was also dominant and used multipurpose co-operatives to achieve agricultural development. This multipurpose character of Korean agricultural co-operatives is counted as another reason for their widespread success. In the 1970s, credit unions and consumers' co-operatives were rare in rural communities. But Korean agricultural co-operatives eventually became involved in mutual credit and retail business, which made them an important part of

the rural community. Korean agricultural co-operatives have a close relationship with the government because the establishment of the co-operative system depended largely on government policy rather than on farmers' voluntary will. Agricultural co-operatives have been involved in the implementation of agricultural policy for the government - e.g. supplying agricultural credit and farm input supplies, stabilizing agricultural product prices, purchasing harvested rice and providing farming technology extension service. Considering the current environment surrounding the country's agriculture industry and rural communities, a close relationship between the government and agricultural co-operatives has gained importance once again. Globalization and market liberalization have increased the competition Korean farmers now face. Also, lack of any specialised incentive renders the farming profession unattractive to the youth. In this scenario, government may have to expand its financial and institutional support for agricultural co-operatives to protect the domestic agricultural industry and rural communities.

## Malaysia

1. In section 2 of the Malaysian Co-operative Act 1993 itself 'Co-operative Principles' have been so defined as to incorporate the ICA Principles which is an important feature of the co-operative law. The appointment of Registrar General under section 3 (1) is the prerogative of the Yang-di-Pertuan and implies that the appointment need

not be restricted to civil servants only. The powers of RG are vast including statutory duty to advise the Minister in charge of co-operatives and also to promote growth of co-operatives combining thus development and regulatory functions and the office of RG:- a body corporate, a legal person with a corporate seal and perpetual succession. Unlike co-operative laws of some countries, Section 5(1) prescribes a minimum of 100 persons to form a primary co-operative which is positive because it would allow formation of a viable co-operative. A secondary society is to consist of at least two Primary Societies. The law relating to registration of societies contains a provision for appeal before the Minister. The powers of the RG in the matters of inspection, enquiry, dissolution and disputes are vast, substantive and allow room for discretion including power to remove any officer of the co-operative society, to allow formation of a subsidiary society, to direct the co-operative to convene a general meeting for amendment of the bye-laws and the right under section 41 to attend or to authorise any person to attend any General Meeting of the co-operatives.

**The powers of the RG in the matters of inspection, enquiry, dissolution and disputes are vast, substantive and allow room for discretion.**

1.1 In the management of the co-operatives, sections 42 to 45 provide for formation and functioning of the Board of Management and an internal audit committee and maintain a balance between the two in a mutually supportive mode as audit has no supervisory role. As regards investment of surplus fund or disposal of capital, the co-operatives enjoy no discretion as this choice is limited to the government institutions under Section 54 (1) and subject to the approval of RG. Further, the requirement to pay 15% of the net profits annually to the Reserve Fund and to the Co-operative Education Trust Fund and Co-operative Development Trust Fund for any secondary or tertiary co-operative society as per the direction of the Minister-in-Charge of Co-operatives is to be seen as a positive feature.

In the matter of the settlement of disputes, the powers of the RG include making a reference to the arbitrator or require the parties concerned to refer the dispute to a court and the decision of the RG on the award of the Arbitrator is final and cannot be questioned in a civil court and is enforced by the session's court having jurisdiction over the place. Article 83 provides for establishment of a Tribunal by the Minister on the advice of the RG, in cases where even after reference to the RG no steps or decisions were taken to appoint arbitrators or to refer to the courts and such cases presumably will be rare given the vast reach of RG. However, the order of Tribunal shall be binding

on the parties. The Minister enjoys the power to make Regulations under the law which affects all aspects of functioning of co-operatives.

2. An important feature of Malaysia's Co-operative is a separate law for agricultural co-operatives, - namely the Farmers Organisation Act 1973. Under this, co-operative societies whose main functions are agriculture related are registered and administrated but not under the Co-operative Societies Act as the DG, Farmers Organisation Authority functions as the deemed RG of Co-operative Societies and the contents of the Act and its spirit are the same as those of the Co-operative Societies Act.

Considering the aforesaid status of the co-operative law and the National Co-operative Policy launched in 2004 with its main emphasis on the democratic and autonomous management of the co-operatives and not on economic or rural development even though co-operative management in Malaysia is primarily oriented to rural areas, certain provisions of the Co-operative Commission Act 2008 have caused some misgivings among sections of co-operators. The Co-operative Commission consists of a Board of 12 members with an Executive Chairman and Deputy Chairman who will exercise wide ranging powers of enquiry, supervision and control direct or indirect. The reported move to appoint ex-bureaucrats to these two key posts is the main cause of the apprehension that together with

the powers of the RG under the existing co-operative law, the Commission will tighten the State control over the co-operatives.

However, with about 9 million members constituting 8500 co-operatives the movement's stakeholders (including the families of members) could as well be 60% of the population. It is thus hoped that with the National Co-operative Organisation of Malaysia (ANKASA) participating in the policy making consultative process and rehabilitation of weak co-operatives in co-ordination with the Government, such apprehensions might turn out to be untrue.

## **Mongolia**

1. The Co-operative Law of Mongolia has some special features which merit close study. Though section 3(4) lays down seven types of co-operatives engaged in business activities, the objects of formation of a co-operative do not include 'economic' needs but only satisfaction of 'social and cultural needs'. This may warrant an amendment as co-operatives are essentially economic or business enterprises founded on mutual help. Not less than 9 persons can form a co-operative while two co-operatives may establish a Joint Co-operative- a new concept under Section 6 as distinct from the usual term 'Union' to take up joint activities.

- 1.1 The law does not mention the powers of co-operatives to raise capital by flotation of debentures or shares without

voting rights, though it allows constitution of safety funds – a new term and mechanism to protect against loss. It is noteworthy that the rights as well as duties of the members of a co-operative are listed in the Statute. The rule position regarding share holding by members allows mandatory contribution and also additional contribution and collaboration implying that some members are in a position to contribute more even when under Section 23 (7) every member shall have only one vote at the members meeting regardless of the amount contributed. However, the stipulation under the section is that a co-operative may distribute its income based on the grand total of contribution of members suggests that return on shares will vary according to the contribution thereby making some members more equal than others. The members enjoy the right to transfer even all shares to others by written contract presumably with the approval of the Board of Management though it is not in the Statute.

2. As regards management, a three part structure with Members Meeting which is the same as the General Body in other Co-operative Laws as the supreme authority and a management and an auditing board have been provided under section 22. The Chairperson of the Management Board is to preside over the Members Meeting and is also designated as Director of the Co-operative who is to appoint an Executive Director on the basis of recommendations of the members meeting and enter into

a contract with the Executive Director. However, a sort of anomalous position seems to exist under Section 32 in stating that ‘supervising’ the activities of the ‘Management Board’ is the ‘purpose’ of establishing the Auditing Board. This is unusual because audit means legally and otherwise ‘an official examination of accounts’ and cannot thus be entrusted with the task of ‘supervising’ the activities of the Management Board which is the prerogative of the Members Meeting, the supreme authority. The matter thus warrants a review.

Another striking feature is the provision for creation under section 36 of an Association of Co-operatives to supervise whether the co-operatives are functioning properly which is normally the work of the concerned department of the Government. The Association, however, will not be a co-operative but registered as an NGO and regulated by the law governing the NGOs. The rationale of this arrangement is not clear. However, a proper view on these issues could be taken only after studying how these arrangements are working in practice.

## Myanmar

1. The Co-operative Society law of Myanmar was promulgated by an order of the state law and order restoration council vide law no. 9/92 of December 22, 1992. The setup of co-operative societies in Myanmar under chapter 3 section 16 indicates the following hierarchy.



Central Co-operative Society consisting of co-operative syndicates and unions already formed and registered.



Union of Co-operative Syndicates consisting of more than one such syndicate.



A co-operative syndicate formed with at least three primary co-operative societies amalgamated in an equity partnership to promote common interest.



A primary co-operative society formed with at least five persons to promote their collective interest and formed on voluntary basis with each member enjoying equal rights.

Though section 8 prescribes completion of 18 years as the qualifying age for membership, section 9 allows even persons who have completed the age of twelve (12) as an associate member in a primary co-operative society, which means even a minor can be an associated member and will be expected to perform the duties assigned under section 10. This is a special feature of Myanmar Co-operative law and also the provision under section 30 that if a person becomes permanently a member of a religious order, s/he will cease to be a member of the co-operative society presumably to prevent any monk

to be a member and be in a position to influence a primary society.

1.1 The other features of Myanmar co-operative law are summarised below.

1. Under section 22, there are three funds- Business Expansion Fund, Social and Cultural Fund and a General Fund for unforeseen losses and expenditure- a feature not seen in most co-operative laws providing a general reserve fund to meet all purposes. The idea of a Business Expansion Fund is also not very clear because the General Fund could as well meet this requirement. Similarly section 24, provides for dividend for executive committee members and staff of the society in addition to dividend on shares held by the members.

2. The law provides for a broad concept of the executive committee under section 2(e) which includes the Board of Directors, also constituted in the general meeting to implement the business of the society; however, chapter 8 and chapter 9 provide overriding powers of supervision and control to the Director General and the Minister-in-charge of co-operatives. This is evident from section 25 which defines the grounds for liquidation in broad terms to give scope to DG for intervention as wordings of 25g- 'Occurrence of any other sufficient cause' leaves vast discretionary powers to the DG who has the authority to appoint a liquidator upon liquidation of the society. The appeal against the order of the DG for liquidation lies

with the Minister and the jurisdiction of the courts has been ousted under section 28 (b) which states that no legal proceedings shall be instituted nor any action be taken in any other manner against a society for which a liquidator has been appointed without the consent of the Director General. As if it was not enough, section 29 states that an order passed by the liquidator of the society shall be deemed as if it was a decree passed by the civil court having jurisdiction. Settlement of disputes involving societies is also the prerogative of the Director General under chapter 9 who is empowered to investigate and report for a decision and the decision of the DG is final and conclusive. There is no role for the court in such matters as the appellate authority which is the normal practice in democracies. On the whole the Myanmar co-operative law is not ICA principles compliant as the co-operatives do not enjoy basic autonomy and protection of courts.

## Nepal

1. The Co-operative Act 1992 of Nepal enacted to provide for Co-operative Associations and Societies, emphasised in its Preamble that the co-operatives are a means to assist primarily the class of people with low capital and low income, landless and unemployed or social workers of the country. Apart from the broad objective of attainment of social and economic development of the general public and consumers the emphasis recognised the reality of Nepal's agrarian distress and the need to overcome the constraint of shortage of

capital and low productivity by mutual help.

The Act lays down a hierarchy of co-operatives as outlined below:-

A National Co-operative Society consisting of at least 15 societies of any of the three types other than Preliminary Associations



A Central Co-operative Society consisting of at least 5 Sectoral Societies



District Level Co-operatives Society consisting of at least 5 Sectoral Co-operatives



Sectoral Co-operatives comprising of at least 5 Preliminary Societies



Preliminary Co-operatives (generally described as Primary Societies in other country laws) which can be formed by at least 20 members.

1.1 However, not more than one District Co-operative Society or Sectoral Society of the same nature and not more than one Central Co-operative Society of the same nature is permissible in the same district. The registration of the society entails an enquiry by the Registrar and is

allowed subject to compliance with the laws and co-operative principles and approval of its bye-laws by the Registrar. This applies to all categories of co-operatives. The appeal against the order of refusal to register a society rests with the Government of Nepal. The membership of co-operatives is open to citizens and in the matter of membership the General Meeting of the Society has the final authority.

- 1.2 The provisions laying down the duties and functions of the General Meeting or the Board of Directors are similar to those obtained in Co-operative Laws of South Asia. The General Meeting is empowered to appoint an Accounts Committee for internal audit and the Board of Directors and Sub Committees for smooth functioning of the society. Subject to government approval, a society has the power to issue debentures and raise loans from national or foreign bank and Government may even provide guarantee to raise such loans on fulfilment of conditions laid down by the Government. Under Section 26, a co-operative society with the prior approval of the Government may take up banking functions by accepting deposits from members and sanctioning loans to its members subject to approval of Nepal's Central Bank and may also jointly form a co-operative bank which is to be first approved and registered by the Registrar and abide by the terms and conditions laid down by the Central Bank to be able to carry out banking transactions under the Commercial Bank Act 1975.
- 1.3 The provisions regarding creation of a Reserve Fund and prohibition on providing any financial assistance to a political party by a co-operative society followed also the South Asian laws and one notices a very large say of the Registrar in the matter of unification or division of a co-operative society, submission of information, maintenance of records, etc. Especially, the powers of the Registrar to cause an enquiry under Section 35 on receipt of a complaint from at least 5% of the members of a Society or Union reporting unsatisfactory functioning and to approve appointment of auditors to examine the accounts and in the matter of dissolution or cancellation of registration of a society under Section 41 including the powers to appoint a Liquidator are substantive. The power of the Registrar under Section 36 to carry out an inspection and to give suggestions to make arrangements is also substantive.
- 1.4 It is also to be noted that Chapter 9 dealing with concessions, tax exemptions and other financial incentives that the state can provide for the co-operatives contains an extensive list which could be put to use to make the

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co-operatives viable and vibrant. What emerges from the above analysis is that the co-operatives in Nepal are under complete administrative supervision of the Registrar of co-operative societies and therefore, the Government. The autonomy, democratic management, the member control or other ICA Principles are only implicit but not highlighted or acted upon. After the abolition of monarchy, Nepal is passing through a turbulent phase with changes in socio-economic scene. It is understood that the co-operative law is under a review and policy on co-operatives is also under consideration. At present, the co-operative law of Nepal cannot be said to be even partially ICA Principles Compliant because the powers of the Registrar and the Government are overriding.

## New Zealand

1. Co-operatives are major players in several sectors of New Zealand's economy, and together account for a significant share of New Zealand's economy. The Co-operative Companies Act 1996, which serves as a companion act to New Zealand's General Companies Act 1993, as well as the Industrial and Provident Societies Act 1908 provide the existing legal framework to co-operatives in New Zealand.

### Co-operative Companies Act 1996

The purpose of the Co-operative Companies Act is to allow co-operative owners to conduct business on a mutual basis, where they engage in "co-operative activity". It defines a "co-operative company" as being:

A company, the principal activity of which is, and is stated in its Constitution as being, a co-operative activity and in which not less than 60 per cent of the voting rights are held by transacting shareholders:"

Section 3 of the act defines "co-operative activity" as being one or more of the following activities, conducted either directly or indirectly:

- (a) Supplying or providing the shareholders of the company with goods or services, or both.
- (b) Supplying or providing the shareholders of the company's holding company with goods or services, or both.
- (c) Processing or marketing goods or services, or both, supplied or provided by its shareholders.
- (d) Processing or marketing goods or services, or both, supplied or provided by the shareholders of its holding company.
- (e) Entering into any other commercial transaction with the shareholders of the company.
- (f) Entering into any other commercial transaction with the shareholders of its holding company.
- (g) Supplying or providing goods or services, or both, that are ancillary to, or that otherwise facilitate, the carrying on by the company or its hold-

ing company of a co-operative activity referred to in any of paragraphs (a) to (f) of this subsection.” A company registered under the Companies Act can only use the term “co-operative” in its name if it is also registered under the Co-operative Companies Act, but a co-operative company so registered is not obliged to use that term. Such a registration allows the co-operative company to have shares with a nominal value, and to issue (including from reserves), or accept surrender of, shares at that nominal value – features not provided for under the Companies Act. Special provisions are made enabling shareholders to seek to surrender their co-operative company shares – including a right to surrender where they cease to be a transacting shareholder during a specified period, or lose their capacity to be a transacting shareholder. A co-operative company can also seek the surrender of a shareholder’s shares in certain circumstances, and hold shares for future allocation without those shares being cancelled for tax purposes. Only transacting shareholders may vote on co-operative company resolutions, unless the company’s constitution specifies otherwise.

### **Features of co-operative Companies**

An application is made to the Registrar of Companies on incorporation or can be made for an existing company at any later time. Some co-operative companies that were registered under earlier legislation reregistered before 1 July 1997 to maintain their co-operative status.

The key difference between a standard company and a co-operative company is in features of its ownership that ensure continuous active membership. These include the ability of a shareholder to surrender shares if, for example, a dairy farmer who is a transacting shareholder changes to another type of farming. The profits of a co-operative company are returned to the shareholders as rebates relatable to transactions during the particular accounting period) or as shares in lieu of rebates. Shares can be issued with a nominal value to assist in such accounting.

The Act also modifies provisions of the Companies Act which would otherwise impede co-operative activity. Importantly a co-operative company may give its transacting shareholders rebates if its Constitution provides for it whereas, under Companies Act a board resolution is required for grant of discounts to the shareholders on the company’s goods or services.

Co-operative companies must provide the Companies Office with an annual board resolution confirming that the company has carried on its co-operative activity in the reporting period. It must provide shareholders with an annual report and hold an annual shareholder meeting. It must also have its accounts audited, and file an annual return, along with those audited accounts, with the Companies Office. In other respects a co-operative company is equivalent to a company registered under the Companies Act.

### **Industrial and Provident Society**

An industrial and provident society may be established under the Industrial and Provident Societies Act 1908 on application to the Registrar of Industrial and Provident Societies by 7 members and the secretary for carrying on any industry, business or trade authorised by its rules with the exclusion of banking. The primary purpose of the society should not be for the profit of its members. An industrial and provident society will usually consist of the owners of small businesses who, while continuing to operate independently, become part of this larger entity for mutual benefit. They work (industrial) and receive benefits (provident) from the society for their future well being. A co-operative taxi society is a good example with independent operators benefiting from car insurance schemes and a radio booking system. Societies are identifiable by having names ending in Society Limited sometimes Co-operative Society Limited and operate according to registered rules. Since co-operatives issue financial securities, such as shares and debt, they must comply with relevant securities legislation. In recognition that investment in co-operatives is often incidental to the primary motivation for owner-patrons to join a co-operative – to benefit from the services it offers – co-operatives enjoy certain exemptions from securities' law requirements aimed at reducing co-operatives' costs of complying with securities law requirements. As in New Zealand, many jurisdictions tax co-operative returns at the member level

only, eliminating the double taxation of co-operative income that would arise with co-operative- and member-level taxation of that income. In conclusion, it may be stated that the Co-operative Law of New Zealand reflects the 'developed' nature of its economy and proximity to the corporate law.

### **Pakistan**

1. The consolidated and amended law relating to the co-operative societies in Sind Province of Pakistan (The Co-operative Societies Act 1925 as amended) has retained the basic structure of co-operative governance introduced by the colonial government under the Co-operative Societies Act 1912 (co-operative laws in other provinces of Pakistan seem to follow the same law under different nomenclature) have with a broad fourfold classification of co-operatives into (i) resource society dealing with the provision of credit (ii) a producers society for production and sale of goods (iii) a consumers society for distribution of goods and services (iv) a housing society for providing dwelling houses for the members and an overriding role for the Registrar of Co-operative Societies as the Regulator of the Co-operative Societies exercising wide ranging powers both under civil and criminal law unencumbered in most situations, by any interference from the courts. The R.C.S. is accountable mainly to the Government and not to the stake holders of the co-operatives. There are historical reasons behind the mechanism as the colonial government introduced co-operatives

as a mechanism primarily to promote self help among the farmers and to reduce their dependence on the village money lenders by promoting thrift and credit. The refinancing facilities were provided after 1947. The RCS was to act as a 'Guardian' of the co-operatives. The methods and conditions of registration took into account the diverse needs of co-operatives. The prescribed minimum membership of 50 for producers or housing society for example or a minimum paid up capital of Rs 2 million for a Banking Society reflect the Policy to ensure viability of societies. Under Section 10, the registration is subject to the satisfaction of the RCS and Section 15 allows amalgamation and division of societies and under Sec 15, a merger of a society into a company with the consent of all shareholders. The power to approve and register amendments as deemed fit and proper rests with the RCS after giving due opportunity to the co-operative to explain the position on amendments to the byelaws considered necessary by the RCS.

- 1.1 In regard to management of a co-operative society, the RCS, enjoys the powers under section 18A to appoint not more than two experts on the management committee and to direct the society to obtain approval of its General Body in any matter concerning the business of the society. This power of intervention gives RCS a supervisory role of substantive nature. Under chapter IV dealing with the duties of the society RCS has been entrusted with a 'overseeing' role

in the matter of audit of the accounts of the Society as the powers to summon any official of the co-operative and to order production of any book relating to any monetary transaction to the extent of taking penal administrative action under section 50A coupled with the requirement under section 22 B to submit to the RCS the report of the internal audit committee are such that cover all activities of the co-operatives. However, the power of the government to grant tax/duty exemption loans and guarantee the payment of loan or the principal debentures issued by the co-operatives adds to the power of the RCS who regulates under sections 34,35,37 all lending and investment of funds by the co-operatives.

2. The supervisory powers of the RCS are most pronounced under Chapter VII dealing with inspection of affairs of the co-operatives as the power to cause an enquiry under section 43, inspection of books of indebted society under section 44, inspection of books and properties, powers to remove officers and to give directions under section 44C and 44D and to take special measures including power to enter and search the premises under Section 44 E give the office of the RCS enormous clout. Further section 51 imposes a bar of civil suit in winding up and dissolution matters and in matters of disposal of assets of housing society and arbitration. Registrar enjoys vast quasi judicial powers under Sections 53 and 54 and 54A in the matter of appointment of arbitrators and the Registrar is also the

Appellate authority against Award of the Arbitrator under Section 56 whose order is final and cannot be called into question in any civil or revenue court under section 57. To enable the RCS to discharge these functions such as recovery of dues by attachment and sale of property and to enforce attendance powers of the collector under the said land revenue court and civil court have been conferred on RCS under section 58 & 59. A significant feature is Section 65B which makes "every officer of a co-operative society a public servant within the meaning of Sec 21 of the Pakistan Penal Code and therefore within the ambit of Anti Corruption laws applicable to public servants. How has this provision been applied in practice and influenced the functioning of the co-operatives would be worth a study. The clear statement under section 68 that the Companies Act shall not apply to co-operatives avoids any overlapping jurisdiction and gives co-operatives a distinct character. On the whole, the co-operatives under the aforesaid Act function in an environment of what may be called 'guided' co-operative development – justified as it might seem in the present stage but

if the government consider a broader role for the co-operatives a change in Policy as well as the co-operative law is necessary to make both gradually ICA Principles compliant by reducing the presently unassailable powers of the government.

## Thailand

1. The structure of co-operative governance of Thailand is laid down in the Co-operative Societies Act, 1968 which provides for the establishment of the Co-operative League of Thailand functioning as an apex organisation of the co-operative movement and amalgamation of small credit co-operatives into large multipurpose co-operatives at the district level. Thus primary co-operatives at the district level and federations at the provincial and national level constitute the structure. 76 provincial agricultural co-operative federations are affiliated to the agricultural co-operative federation of Thailand. There are also federations at the national level of co-operatives specialising in diverse activities like sugarcane plantation, dairy and rearing of pigs. The Co-operative League of Thailand plays a major promotional role through its 7448 affiliate co-operatives which command the membership base of 9.8 million households. In Thailand, the co-operatives are somewhat evenly spread in agricultural and non-agricultural sectors – 4536 co-operatives in agricultural, fisheries and land settlement and 2811 co-operatives in non agricultural activities. The co-operative league of Thailand runs a co-operative training

**In Thailand the co-operatives are somewhat evenly spread in agricultural and non-agricultural sectors – 4536 co-operatives in agricultural and 2811 in non agricultural activities.**



institute and its co-operative Promotion and Business Development Bureau provides valuable business inputs to the co-operatives. The Co-operative Promotion Department of Thailand has the mandate of promoting and strengthening of co-operatives by raising their management capacity.

2. The enactment of Agricultural Economics Act, 1979 has an important bearing on the development of co-operatives. Section 3, gives a legal definition of Agricultural Economics, possibly for the first time in the region, as "Description and priority establishment of economic problems in the part concerning agriculture and actions to solve such problems" and also defines "an agricultural economic area in terms of agro-climatic conditions and natural resource base for crops, horticulture, livestock and poultry rearing activities etc. The duties of the high power committee on 'Agriculture and Co-operation Development Policy and Planning with the Minister-in-charge, Agriculture and Co-operatives as Chairman include under section 5, review of Agricultural Policy, Agricultural Co-operative Development Plan and their implementation and to appraise the cabinet on all important issues pertaining to agriculture and co-operation. The office of the Agricultural Economics has been set up to support the above committee with field data and to carry out evaluation studies under the direction of the Ministry of Agriculture which acts as the controlling authority. The above committee is to function as the authority responsible

for overseeing the agricultural and the co-operative sectors for appraising the National Economic and Social Development Committee.

- 2.1 The significance of this Act for the co-operatives is that it has created an independent office for monitoring and evaluation of Co-operative Development Program and Policy formulation based on field studies. Further, the concept of Agricultural Economic area is novel and implicit in it are the ideas of land – water resource conservation, delimiting such areas which give a degree of sanctity to agricultural lands or wet-lands which is not provided in most countries and, therefore, its functioning merits study and its set up, consideration for adoption in other countries of the Asia Pacific Region.

## **Vietnam**

1. The co-operative law of Vietnam defines a co-operative as a collective economic entity established by individuals, family households or legal persons who share common interests and contribute capital or labour voluntarily to promote the collective strength of each member for the purpose of mutual assistance in efficiently carrying out manufacturing or business activity and in improving material or spiritual life and thereby contributing to the socio-economic development of the country. The emphasis on the word collective is significant though co-operatives are to operate as a form of business enterprise. Article 3 of the General Provisions contains the State Policy for the co-operatives and

the commitment to support and create conditions favourable to the growth of co-operatives which are at least equivalent to those of other enterprises and to incentivise in particular the agricultural co-operatives. Art 5 laying down the principles of organisation and operation of co-operatives are in conformity with the ICA principles. While Art 6 deals with the rights, Art 7 listing the duties of co-operatives is a special feature and mention of the role of political and social organisations in the co-operatives. The provision of promoter to attract people to a project to set up a co-operative and the requirement to report to the People's Committee of the commune by the Promoter shows the state role in formation of co-operatives. Under Art10 the meeting to constitute the co-operative is to decide on establishment of a mechanism both for management and control which is also unique as there is no option but to create a control committee though the committee enjoys the option of hiring a chairman for the (Business Registration Office) management committee. The co-operatives are to be registered with the BRO at the Provincial level and if registration is denied there is the right of appeal before the authorised state agency.

- 1.1 Perusal of Articles 24 to 30 under chapter 4 shows overlapping roles of these two mechanisms and evidently the control committee is more powerful as under Art 30 it enjoys the right to attend the Board meetings and has the clear mandate of supervision and is in a

position to receive complaints relating to the functioning of the co-operative. The management committee is indeed accountable to the control committee. Read with Art 42 (2) and Art 46 c which provide an important role for the People's Committee in making them at all levels responsible for performing its 'state administration' functions over local co-operatives it appears that the co-operative management is subject to the supervision of one internal and another external authority in Vietnam. In the matter of raising funds, co-operatives in Vietnam enjoy some flexibility as they are allowed to borrow from banks, receive assistance from state, domestic or even foreign organisations and individuals and are required to set up two funds – a Business Expansion Fund and a Reserve Fund according to the instructions of the Government. While apportioning the profits after payment of taxes and covering the losses, the necessary amounts are to be put into the Business Expansion and Reserve Funds and thereafter the general meeting will decide the distribution of the remaining portion among the members. In the matter of reorganisation, division or separation of a co-operative, the power of approval or rejection rests with the same BRO that issued the registration of the co-operative in the first place and appeal against the order of the BRO shall lie with the authorised state agency under Article 40 and 41 in case of amalgamation or merger of a co-operative society. The provision for compulsory dissolution of a co-operative under Art 42 in special

circumstances contains an executive role for the concerned People's Committee as it is to set up a commission for dissolution, appoint the Chairman of the Commission to organise the dissolution of the co-operative and to initiate the process of service of notices etc. though the final act of removal of the name of the co-operative from the list of registered bodies rests with the BRO. Under Articles 44 and 45, establishment of an Union of Co-operative at the Provincial level and an Alliance at the national level are provided "to enhance the effectiveness of the co-operatives and to create a platform for co-operatives to express their views on making of laws and policies for the co-operative sector" and in the matter of approval of the bye-laws of the Central Alliance of the Co-operatives, the Chairman of the concerned Peoples Committee at the Provincial level is involved in the decision-making process. Further, under chapter VII it is clarified that the People's Committee at all levels are responsible for performing its state administrative functions over local co-operatives which gives them a clear supervisory role including that of creating favourable conditions and assisting development of co-operatives. Moreover, Art 48 provides a supportive role for the State Agencies and the Fatherland Front of Vietnam in mobilising community help to the co-operatives. The aforesaid provisions lead to the conclusion that at the present state of development, co-operatives in Vietnam are like 'guided co-operatives' being under indirect supervision of Local Peo-

ples' Committees and their own control committees which limit the control of members or autonomy of the co-operative and, therefore, may be treated as partially ICA compliant.

## Conclusions

1. An objective critical study has to be contextualised as there has been a widespread view that the co-operatives should expand and deepen so as to emerge as a balancing sector in a market driven economy. Keeping this in view, laws and policies have been revisited in the study and the broad conclusion is that in most countries of the Asia Pacific region, a national strategy to attain this objective is not in place resulting in mismatches between law and policy on one hand and governance and financial systems for the co-operatives on the other. Even national policies tend to lose their importance unless concomitant legal and financial steps are taken and reviewed periodically. The co-operative laws of Iran and Philippines contain co-operative policies which seem to be a practical alternative to periodic policy making. With this objective in view an attempt has been made in this chapter to identify the issues which need to be resolved in co-operative laws and policies and practices to position co-operatives as a lead sector and not just as the third sector that it already holds in some countries and this may require a separate perspective plan for co-operative development as in Philippines or include the role of co-operatives emphatically as in Japan's present Basic Plan for Food and Agriculture.

1.1 Though growth of co-operatives is viewed as a movement and by implication spontaneous and voluntary, it has come to attain its present position largely due to a supportive legal institutional and financial framework provided by the state. Though the concept of co-operation may have religious and social sanctions in Asian beliefs and values its formal structure is of European origin. In south Asia the co-operatives were introduced by the colonial state as a means of freeing the peasantry from the clutches of the village money lenders – a need stressed in the reports of commissions to enquire into the incidence of famines in India in the 19th Century. The 'Voluntary' nature of co-operative formation makes it a part of the larger voluntary sector referred to as the Non-Governmental Sector comprising of societies and associations either registered under a statute or functioning as an informal voluntary group of like minded persons pursuing their common interest. The co-operatives have attained their separate identity because it is a formal association and registered under a statute governing the co-operatives. Before enactment of a separate law in India in 1904, co-operatives were formed as companies. Since the activities of the co-operatives got diversified and the process is continuing with co-operatives assuming multipurpose activities, the size of the membership matters which varies widely from a minimum of 5 persons in Myanmar or 9 in Mongolia to 100 in Malaysia as for example. The Bhutanese law even allows constitution of a

farmers' group of 3 persons. As an economic and a business enterprise in the present environment in Asia dominated by small and marginal farmers even a co-operative consisting of hundred members may find it hard to become viable if it pursues a single activity. This explains why many Primary Agricultural and Rural Co-operatives failed to deliver and survive because of low absorption capacity of credit, inputs and technology. This applies to urban consumer, credit, producers and service co-operatives because size matters for mobilization of initial capital and capacity-building to develop a competitive edge. Experience also suggests that to be viable, rural co-operatives have to be multipurpose – a kind of 'One stop shop' for meeting all needs of the village rather than multiple societies for achieving economy and efficiency in delivery of services. This has been tried successfully in Philippines where some rural and multipurpose co-operatives are providing credit, inputs, agro and meat processing facilities to farmers apart from running consumer stores, petrol pumps, etc. Such co-operatives are ideally placed to provide affordable health, education and other development services because they are in a position to appoint professional managers due to their strong financial base. The reform agenda for co-operatives may therefore, include a move to make large co-operatives as a matter of policy and encourage its growth with a minimum base of at least 1000 members and a flexible law to allow consolidation of existing societies. If one looks at

the current efforts of India to revitalize the rural co-operative credit structure by revamping the Primary, District and Provincial level co-operative credit and banking structure as explained in the report, it might appear that one time improvement of balance sheet by re-capitalization and appointment of professionals could give temporary relief but not long term improvement which is possible only when the business model is changed. Hence, a policy shift to large multipurpose co-operatives backed up by legal and institutional support is essential ensuring also that "self regulation and members' control" is built into the co-operatives with increasing professionalisation in management and possible participation of non-members in contributing to share capital and mobilization of capital from the market to build up adequate risk capital, investment and working capital. The case for a large multipurpose co-operative is also borne out by the fact that it is not common to see a successful production co-operative unless the produce like raw milk is such that it is readily marketable with minimum processing. The experience of producer companies has also not been different unless these companies have sound forward and backward linkages.

- 1.2 If the future growth of co-operatives is seen from this perspective, the next subject that needs a review is the legal framework. The issue is - Should countries have one comprehensive co-operative code capable of providing legal cover for all specialised co-opera-

tives or separate laws for co-operatives engaged in specialised activities as in Japan and administered by separate ministries? Or whether a common code with sector specific laws as in Philippines Co-operative Code 2008 will do? There are advantages in both systems which have evolved in response to the needs of the times. The advantage of the Japanese system which is followed in Korea is that it allows concentration of efforts and because administratively the co-operatives come under a functionally related ministry, e.g. Agricultural co-operatives being under the Ministry of Agriculture, Fishery and Forests there is better appreciation of their sector specific problems. Such flexibility allows sector specific policy making easier. In Japan there has been no thought for a comprehensive co-operative law as the existing arrangement is considered adequate. However, there is a grey area. The representatives of JWCU (Japan Workers' Co-operatives Union) favoured a common co-operative law for both co-operatives covering multiple activities to meet the needs of self-employed or potentially

**The advantage of the Japanese system which is followed in Korea is that it allows concentration of efforts and because administratively the co-operatives come under a functionally related ministry.**

self-employed persons or old people who need special care as detailed in the country study report of Japan.

1.3 The co-operative code 2008 of Philippines, on the other hand, contains general principles of co-operative formation, management and governance structure and defines twenty types of specialised co-operatives with a proviso for inclusion of other specialised co-operatives in future and also lays down laws and rules for each of these twenty types of co-operatives.

1.4 The co-operative law of Islamic Republic of Iran defines co-operatives in broad terms into producers and service co-operatives and provides a governance structure assigning specific responsibilities to the ministry of co-operatives and coordinating/supporting role to the Iranian Central Chamber of Co-operatives. In India, the subject of co-operatives being in the State list, each state has its own state co-operative law. The Central Government as a part of the co-operative reform agenda has formulated a model co-operative law embodying to a great extent the ICA statement of Co-operative Identity and asked the states to either adopt it or to incorporate its leading provisions into the extant state co-operative laws. However both these laws are common co-operative laws and are not sector specific but seem to be adequate to provide legal cover to all types of co-operatives. Perusal of orders of the apex court in India on cases involving co-operatives gives the impression

that the extant laws are adequate. The pertinent legal issue is the right of the citizens to form associations, the basis of co-operative formation which is not still granted in some countries. It must however, be pursued vigorously.

1.5 A related issue is whether a single ministry of co-operatives should provide legal or administrative support to the co-operatives or multiple ministries. If the idea of a common co-operative code gains acceptance a single nodal ministry appears logical. However, in most countries and even in India with vast and diversified co-operatives the subject of co-operation is a part of the charge of the Union Agriculture Ministry. In some other countries, co-operatives are a part of the welfare or Agricultural ministries. On the whole a comprehensive law embodying ICA Principles of co-operative identity seems to be advantageous as it may avoid rigidities and inter-sectoral legal and policy anomalies and could be better equipped to promote harmonious growth of co-operatives in all sectors. This is a fit subject for deliberation at the Co-operative Ministers conference and at the Government level.

2. Internal co-operative governance-based on member control, flexibility and self-regulation which allows the board the managerial responsibility under the overall control of the General Body is the essence of co-operatives. As noted earlier, some country laws provide for supervision committee or team of inspectors or an audit com-

mittee which are also elected in the meeting of the General Body and have the responsibility of supervising the work of the board which might have introduced a duality in control, not helpful in promoting efficient functioning of the board. This provision therefore merits a review. The role of co-operative federations and unions at various levels to represent the interest of co-operatives also merits a review as these bodies are often created on functional basis like the District union of Milk co-operatives in India and not on territorial basis as an umbrella organisation for all co-operatives, their effectiveness to represent the interest of the co-operative sector as a whole is limited. In this scenario, the role of statutory body like the Co-operative Development Authority in Philippines or the Iran Centre of Chamber of Co-operatives which have developed capacity to provide training support to co-operatives apart from functioning as a lobby organisation for the co-operatives is worth a study. Experience suggests that a statutory backup and government support is essential for the success of such bodies. Such federations could even be registered as a joint stock company as the Central Organisation for Rural Co-operatives in Iran (CORC).

- 2.1 The role of the government through the institution of the Registrar has always been contentious. Lack of professionalism in co-operatives has been one of the historical reasons for grant of overriding powers to the Registrar,

by whatever name called under different country laws and, therefore, its rationale might disappear to a considerable extent once the co-operatives are empowered with professional competency which is being attempted in India in its long term plan for restructuring co-operatives. In the matter of settlement of disputes through arbitration involving co-operatives, statutory authorities like the CDA in Philippines could be a better mechanism than the authority of the Registrar. Alternatively the governments could consider setting up of standing Boards or Tribunals for disposal of such matters. The issue of demutualisation of co-operatives and stricter laws for the same calls for urgent action. The issue of allowing non-members to contribute to the share capital and also to participate in the management of co-operatives calls for a review as some favour it as a means to expand the reach of co-operatives and to mobilize capital. However to maintain the 'member control' feature of co-operatives it is desirable to restrict share capital contribution to non members to about one-third to retain the democratic nature of functioning of co-operatives. However, in case of consumer co-operatives facing in many cases difficulty in accessing working capital, attracting share capital from non-members could be a viable option especially where consumer co-operative services are not restricted to members only in a number of countries.

To develop the competitive edge, large specialised co-operatives like those in-

involved in dairy, meat or oil seed processing, the mechanism of floating subsidiary companies for value addition is a practical option. While considering strategic alliance between co-operatives and the private corporate sector its terms must be worked out to maintain its co-operative character. An alternative approach may be for the co-operatives to float a joint stock company to run their business of processing and marketing and such other value addition activities. Shareholding of such companies may be kept limited to co-operatives mainly leaving only a limited percentage of shares to general investors. Such a mechanism may create a corporate wing for co-operatives in a mutually supportive role.

3. With the success of self-help group movements in several countries of the region following the path breaking role of the Grameen initiative in Bangladesh, SHGs and micro-finance institutions have emerged as informal co-operatives as they satisfy most conditions of formation of co-operatives. There are, however, cases of localised groups of SHGs registered as co-operatives but most of the SHGs and MFI have remained outside the orbit of

co-operatives. There is also large number of voluntary organisations - NGOs in common parlance who pursue the same objectives as co-operatives and engaged in advocacy, environment, conservation, education, health and welfare of families of industrial labour, management of irrigation systems through Water Users Association, etc. With some advocacy effort it is possible for district level co-operative unions to develop synergy in their activities of NGOs and co-operatives and also bring the Self-Help Group movement within the fold of the co-operative movement. If need be, some changes in the co-operative laws to allow flexibility in the operation of SHGs, MFIs after their conversion into co-operatives may be considered to expand the base of co-operatives, and to avoid overlapping in the activities and competition for the same space.

- 3.1. The growth of core competency and professionalism in co-operatives is essentially the function of training and capacity-building starting from the primary co-operatives to the co-operative banks, producers' companies and subsidiary companies floated by the co-operatives. This has to be a part of the development strategy of co-operatives and built into the policy itself. Establishment of co-operative training institutions, exposure to formal training in banking, insurance and management institutions must be accorded high priority along with revamping of the existing training institutions and establishment of new facilities.

**Share holding of such companies may be kept limited to co-operatives mainly leaving only a limited percentage of shares to general investors**



3.2. As regards taxation the co-operatives face widely varying tax regimes. From no tax on profits in Kuwait and full exemption on income tax to primary co-operative societies in India engaged in supply of milk, oil seeds and vegetables only to the Federation or a government agency to no differential treatment in Indonesia and Nepal. In Iran except for housing and consumer co-operatives, others are treated at par with business enterprises. Japan allows lower taxation (22%) on co-operative profits while other enterprises are charged 30%. It seems that the tax benefits allowed to co-operatives are often sector specific and not part of a package as allowed to corporate sector in most countries running into huge tax exemptions. Thus if co-operatives have to be promoted as a strong balancing sector, the governments should come out with a new package of incentives for co-operatives including a comprehensive co-operative taxation policy.

3.3 In most countries, the issue of capitalization of co-operatives – large or small has been a grey area. Large co-operatives like the multi state co-operative societies of India are allowed to receive deposits, raise loans and receive grants from external sources with a proviso that the total amount of deposits and loans in any financial year shall not exceed 10 times of the sum of subscribed share capital and accumulated reserves (Section 67 of the multi state co-operative Societies Act, 2002). This is like a ceiling on debt equity ratio. Further, the Bye-

laws have laid down fixed percentages of net profits that must be transferred to Reserve Fund (25%), Co-operative Education Fund (1%) and to a Reserve Fund to meet unforeseen losses (10%) before distributing profits as dividends to shareholders. The multi state co-operatives are also allowed to raise subsidiaries.

The co-operative law of Indonesia is flexible, as capital of the co-operative is built up through equity, savings and mobilization through bonds, and the level of capital or what amount should be transferred to the Reserve Funds or the amount to be distributed as dividends to the members are left for the co-operatives. It only stipulates that Reserve Funds should be used for the development of self owned capital and pay for the losses of co-operatives as a sort of an insurance.

In Malaysia, co-operatives have mobilized their capital through entrance fees, shares, members' savings, and deposits and loans from members and non-members, surplus carried to the reserve fund, donations and grants, and are subject to provisions laying down the minimum percentages of net profit that must be annually contributed to the Reserve Fund and the requirement to fix in the annual general meeting the maximum limits of debts. In Philippines and Nepal as in a number of other countries, co-operatives are allowed to take loans from banks, while in Singapore, they are allowed to sell debentures or in-

vest funds in other co-operatives with the approval of the Registrar.

4. The Rules regulating capitalization seem to be flexible especially the provisions allowing co-operatives to form subsidiaries. However, given the minimum statutory contribution to the Reserve and other funds and limit to individual shareholding, Government control on raising loans or floating debentures and bonds, it is apparent that small co-operatives are unable to create a strong capital base. The answer to this problem is a policy to merge societies into large multipurpose co-operatives only. Secondly, borrowing limits may be fixed by each society taking into account the business model and thirdly, a mechanism to involve the financing and refinancing banks in the management of co-operatives so as to improve management of loan and other funds and lastly a policy on subsidiaries is necessary to ensure that these entities, particularly when they are formed as companies serve the

interest of the co-operatives and not thrive on co-operatives.

- 4.1 The aforesaid issues of financing co-operatives which have remained largely unresolved in most countries of the region suggest the need for establishment of a 'Special Purpose Vehicle' meaning in administrative parlance as special institutional facility for financing co-operatives based on assessment of special needs of each sector in a comprehensive manner covering production processing and marketing credit needs. At present co-operative Development Banks are not structured to play this role of providing integrated support to co-operatives. This could be set up by the Central Bank as a subsidiary by pooling the resources of all development banks involved in the co-operative sector functioning in the manner of a comprehensive development financial services providing agency. This may attract serious consideration at the ICA and Governments of member countries of ICA-AP.



## Country Study Reports

### 1. PHILIPPINES

#### Background

1. Once the most promising economy in Asia, the observers point out, “various ills of the polity ensured that growth has been running a half the Asian average for the last 20 years.” The economy of Philippines continues to disappoint with the last quarter registering 3.2% growth year on year and until Manila builds a true rule of law, it is felt the country cannot grow out of poverty. However, the potential for development is still great with a highly literate population, recent spurt in exports particularly in IT and IT enabled services (Philippines has recently surpassed India in export of some IT services) and ability to contain inflation to below 4%. This is supported in a report of the Asian Development Bank as reproduced below: (Ref- Asian Development Bank Fact Sheet as of 31-10-2010)

Recent economic growth and fiscal consolidation in the Philippines has improved the country's resilience to

shocks. Average gross domestic product (GDP) growth improved to 5% during 2001–2007 from about 3% during 1990-2000, while the fiscal deficit declined from 5.3% of GDP in 2002 to 0.2% of GDP in 2007. As the economy was hit by higher food and fuel prices and the global financial and economic crisis, the government undertook expansionary measures, helping the economy maintain a positive GDP growth of 3.7% in 2008 and 1.1% in 2009. The economy strongly rebounded in 2010 with a GDP growth of 7.3% driven by a recovery in investment and exports, and robust private consumption. The macro policy environment remained supportive of economic recovery. Continued stability in the domestic finance

**Recent economic growth and fiscal consolidation in the Philippines has improved the country's resilience to shocks.**

**Table 1. Philippines: Development Indicators Non-MDG**

Population in millions	94.01 (2010)
Annual population growth rate (%)	1.9 (2008–2010)
Adult literacy rate (%)	93.6 (2008)
Percent of population in urban areas	65.7 (2009)
<b>MDG</b>	
Per cent of population living on less than \$1.25 a day	22.6 (2006)
Per cent of population living below the national poverty line	26.5 (2009)
Under-5 mortality rate per 1,000 live births	33.0 (2009)
Per cent of population using an improved drinking water source	91.0 (2008)

**Table 2. Philippines: Economic Indicators, 2006–2010**

<b>Economic Indicator</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Per capita GNI, Atlas method (\$)	1,250	1,460	1,700	1,790	...
GDP growth (% change per year)	5.3	7.1	3.7	1.1	7.3
CPI (% change per year)	6.2	2.8	9.3	3.2	3.8
Unemployment rate (%)	8.0	7.3	7.4	7.5	7.3
Fiscal balance (% of GDP)	(1.1)	(0.2)	(0.9)	(3.9)	(3.7)
Export growth (% change per year)	15.6	6.4	(2.5)	(22.1)	34.8
<b>Economic Indicator</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Import growth (% change per year)	10.9	8.7	5.6	(24.0)	31.5
Current account balance (% of GDP)	4.5	4.9	2.2	5.8	4.5
<b>External debt (% of GNI)</b>	<b>45.1</b>	<b>39.2</b>	<b>31.8</b>	<b>29.0</b>	...

sector and strength in the external payments position were also noteworthy.

Notwithstanding progress, challenges remain and further reforms are needed to sustain economic gains, especially in the light of the tightening fiscal space. The fiscal deficit rose to 3.9% of GDP in 2009 and 3.7% of GDP in 2010, limiting space for spending on infra-

structure and social services. Investments and job generation remain inadequate, and progress has been slow in attaining the Millennium Development Goals on poverty, education, and maternal health. Strengthening of tax revenues to ensure adequate resources for development expenditures and improving the domestic investment climate are key to improving prospects

and attaining long-term development goals.

2. The short visit to Philippines include interaction with co-operative leaders of Philippines during ICA-AP NATCCO workshop on Development of Consumer Co-operatives in Philippines on 13.12.11 preceded by the 45th ICA AP Consumer Committee Meeting on 12.12.11 and visit to Soro Soro Ababa Development Co-operative Multipurpose Society in Batangas Province and meeting with Executive Director, Co-operative Development Authority at Manila.

A major feature of co-operatives in Philippines is the strong government commitment to promote co-operatives in as many sectors as possible. The Co-operative Code 2008 lays down a three tier co-operative set up- Primary, Secondary and Tertiary and 20 types of single purpose specialised co-operatives for which subject specific Rules have been made under the code. As these are not restrictive, people are free to set up co-operatives on any matter outside the types mentioned in the code. This is a positive feature reflecting the government's policy to develop wider partnership with the co-operatives. It is reported that the size of the membership of the co-operatives is about 9 million roughly 10% of the country's present estimated population of 95 million and new types of co-operatives are emerging in health, education, micro-finance, micro enterprises, child savings, etc.

During the two seminars mentioned above some special features of co-operatives in Philippines have been mentioned as summarised below:-

National Cooperation of Co-operatives (NATCCO) is the only billionaire federation in the country with membership of 428 co-operatives and has initiated a number of programmes to provide professional support to its member co-operatives in diverse livelihood improvement related activities especially to attract youth and women to co-operatives. NATCCO has 922 offices nationwide, having presence in 94% of provinces and in 83% of cities and has forged partnership with civil society. Its partners include Mega link for shared ATM network and Oikocredit one of the largest privately owned financiers of micro-finance sector in the world and also a co-operative society which helped NATCCO to access funds for its support to micro enterprises. The support of Philippines Development Assistance Project, a consortium of Filipino and Canadian NGOs, Philippines Postal Savings Bank, Promoting Rural Industries and Market Enhancement Programs (PRIME) funded by Canadian International Development Agency to support small and medium enterprises, RABOBANK Foundation enabled NATCCO to purchase financial Performer System Software and RCBC Bankard to provide cobranded credit cards to Primary Co-operatives and Swedish Co-operative Centre to gain expertise in areas such as housing and consumer co-operatives. These part-

nerships have empowered NATCCO to focus on financial intermediation as its core business and to establish, a Central Fund to pool co-operatives, excess funds, since renamed Treasury and Credit Group in 2010 which manages the Networks Equity Shareholding, Stabilisation Fund, Credit Lines and the Deposits and Loans Products. The latter has become the Primary Source of revenue with gross revenue amounting to Peso 104 million in 2010. The key results of TCG's prudent operations yielded P 19.2 million for the Group's net income which is a 41% increase from 2009. Loan portfolio has also shown impressive performance as Peso 445 million worth of loans was realised in 2009 to Network members and MICOOP branches. Total loans, outstanding reached P857 million by 2010 with a good record of recovery. It is also noted that 155 co-operatives deposited a total of P451 million and the total share capital posted a sharper increase of 62% to Peso 66.8 million. As a result the total share capital has reached a little above P 165 million and deposits above P405 million. The network's target is to raise deposits to Peso 600 million and the loan release to Peso 600 million in 2011 emboldened by the decision of the Supreme Court that these deposits are not taxable. Further, the stipulation under the Co-operative Code that transactions with its own members are also not taxable has made financial services from NATCCO much more advantageous and therefore, likely to promote business. It is

also noteworthy that in the spirit of sixth co-operative principle emphasising cooperation among co-operatives, NATCCO has established in 2007 a Stabilisation Fund drawing on members contribution so that NATCCO could come to their rescue in times of difficulty much like the Central Bank in relation to scheduled banks and the Fund now has 16 participating co-operative societies with deposits totalling P7.4 million.

- To develop professionalism, NATCCO Education, Training and Consultancy Group has trained a total of 2556 leaders and staff from 945 co-operatives and 22 co-operatives had availed of its consultancy services in 2010 and also instituted norms for customer satisfaction and excellence in service.
- To improve the quality of service, IT services have been harnessed to make it competitive by empowering co-operative staff members with automated transactions and accurate accounting capability. The IT Group of NATCOOP has organised training of co-operative management and staff in maintaining IT enabled transaction and financial records.
- Though co-operatives do not engage in the trading of financial assets for speculative purposes nor write options, they are exposed to market risks arising from foreign currency and interest rate sensitivities and are required to manage their liquidity profile to be able to service maturing debts and finance

operating and capital requirements. A major problem facing coops in developing countries is recovery of loans. It is interesting to note that in Philippines the co-operatives receiving loan from MICOOP whose purpose is to help low income households and micro entrepreneurs by providing them access to micro finance services, follows the practice of entering into Memorandum of Agreement with its members where both the parties will choose either "Build Operate-Adapt-Transfer" (BOAT) program or 50/50 partnership scheme in setting up the MICOOP servicing centre in selected areas. Interest rates on loans vary according to the type of loan and certain MICOOP loans are used as collaterals for the secured short-term and long-term bank loans. Normally highly secured loans backed up by borrowers

deposits are charged 1% or 2% above their time deposit placement rates and interest rates on secured loans range from 12% to 15% and a service fee of 1% to 1.50%. From a study of NAT-COO's Annual Report 2010, it appears that co-operatives in its Network are financially well managed and have been able to keep the credit and service channel open and are on a moderate to high growth path. And this is by and large true of other co-operative federations.

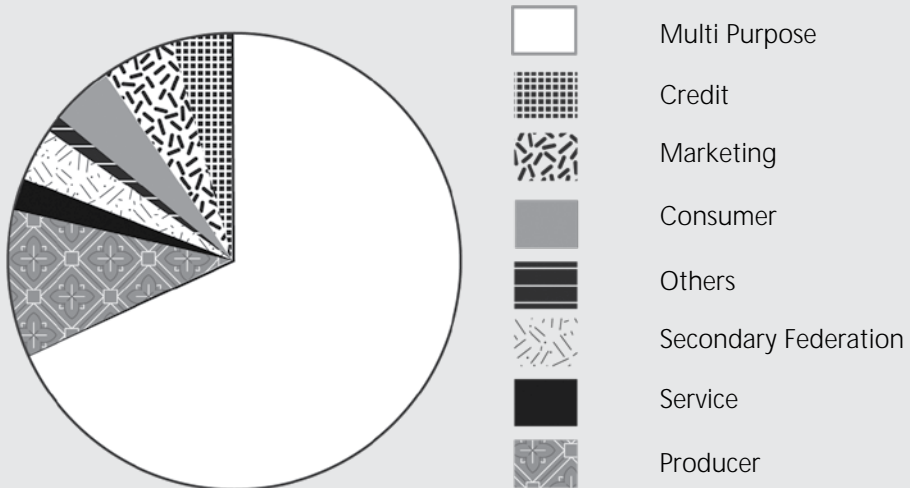
2.1 As of 6th December 2011, a total of 20547 co-operatives are registered with CDA. The activity wise break-up of co-operatives is indicated below as well as broad activity ratio indicating that most coops fall under the category of Multi Purpose Co-operatives.

### TYPES OF CO-OPERATIVES REGISTERED WITH CDA

(As on December 06,2011)

Advocacy	5	Housing	6
Agrarian Reform	11	Insurance- Secondary	4
Consumer	821	Marketing	733
Coop Bank – Secondary	45	Multipurpose	14, 389
Credit	2,204	Producer	879
Diary	13	Service	1,128
Electric	2	Transport	25
Federation – Tertiary	6	Union - Tertiary	1
Financial Service	1	Workers	21
Fishermen	16	Water	2
Health Services	1	Grand Total	20,547

## Ratio of Registered Coops



2.2 The aggregate co-operative assets constitute an impressive figure of P 158,603,608,575.54 or roughly P 158 billion as detailed below according to the type of co-operatives.

AGGREGATE CO-OPERATIVE ASSETS	
Consumer	476,906,988.79
Coop Bank-Secondary	12,595,454,125.28
Credit	32,822,089,858.28
Federation-Secondary	2,152,425,035.80
Federation Tertiary	1,005,789,481.70
Insurance-Secondary	325,163,346.94
Marketing	326,782,922.25
Multi Purpose	97,731,461,321.08
Producer	1,169,984,882.92
Service	9,909,460,109.33
Union – Secondary	56,409,114,117
Union – Tertiary	31,081,389.00
	P158,603,008,575.54

2.3 Roughly 83% of co-operatives are Multi Purpose; other types of coops such as Producer, Service or Consumer Co-operatives have small but significant share ranging from 1 to 3%. 485 co-operatives under NATCCO have 16,17781 members and 30% of chairpersons of its member co-operatives are women and 65% of members are also women reflecting a healthy gender participation. It is not feasible to review here even summarily 20 odd types of co-operatives functioning in Philippines. However, some important aspects are stated below:

- (i) Consumer co-operatives – usually, the first step of co-operative movement particularly in urban areas which in several countries play an important role in holding the prices are not doing well. There has been no significant growth in this sub sector for the last 20



years and out of 821 only 70 consumer credit societies possess assets of more than P 1 million and majority of these consumer's stores managed by co-operatives are categorised, as 'small' as per the government categorisation. The reasons for near stagnation of consumer co-operatives are (i) lack of strong backward and forward linkage/integration with producers (ii) failure to raise the volume of sales and co-operative staff make little effort in marketing and assume that the members and the general public would patronise the co-operative stores (iii) inability to offer large discounts or other goodies like the big usually multi-brand and multi-national retail giants due to low margin at which the goods are procured from the suppliers in the first place (iv) lack of planning market survey before starting the business and adequate provision of capital because the running of the consumer stores is not viewed as separate business but a part of the savings and credit operations of the co-operatives. As a consequence, the consumer co-operative stores usually suffer from shortage of working capital and inability to move commodities in time and fast to satisfy the demand. The concept of a Fast Moving Consumer Goods (FMCG) – the mantra of a successful retail chain are yet to be institutionalised in the functioning of consumer co-operatives (v) lack of training of staff/managers in retail trade and failure of management to recognise it as a separate financial/business venture resulting in lack of competitive spirit. All these suggest the need for a separate

business development strategy for the consumer co-operatives – a matter that deserves urgent attention of NATCCO.

- (ii) NATCCO- Department of Agrarian Reform (DAR) Collaborative Program to set up co-operatives consisting of farmers who have been provided agricultural land under the Land Reform Programme of the government. According to CDA officials 92,670 individual farmers organised into several co-operatives covering 55 branches have received micro-finance services. Under a partnership mode, NATCCO the DAR and the Agrarian Reform Co-operative Communities are trying to transform these co-operatives into a viable vehicle for financial services. In two years (2011-12) the partnership covering 30 more MICCOOP branches will be operationalised. This project has relevance for other developing countries where land reforms in the form of distribution of cultivable land to landless poor farmers did not achieve the expected result of making these farmers and their land holdings viable mainly for want of support services of credit, inputs, marketing and extension. If DAR-NATCCO initiative succeeds, it would be a model for other countries and, therefore, its implementation calls for periodic evaluation.
- (iii) As a step to achieve financial inclusion, NATCCO's 'Aflatoun' programme is about the education of the youth in social and financial rights. It complements and drives the bringing in of the young blood to the co-operatives and

to provide balanced social and financial education to the children and to wean them away from the risky path of consumerism. The program is being implemented in 165 schools in 2010 – a 33% increase from the position in 2009. The response from the children was amazing as by December 2010, the accumulated Aflatoon savings rose to P 7.9 million from P.2.2 million in 2008 and 26,500 children are currently under the programme. Since 2007 when the programme began 948 teachers have been trained who teach the children their rights under the UN Convention on the child rights and are informed also about children's responsibility and financial literacy-saving, spending, planning budgeting and how to be enterprising. This remarkable success story merits study by co-operatives in other countries and is worthy of adoption.

- (iv) In Philippines, there has been a serious effort to bring about coordination in the activities of the co-operatives and other civil society organisations. During the meeting with CDA officials, the role of inter-church organisation was highlighted in developing social capital and spread of financial literacy. As

**In Philippines, there has been a serious effort to bring about coordination in the activities of the co-operatives and other civil society organisations.**

part of their work in societal capacity-building several bodies like the Micro-Finance Council of Philippines, Farmers Associations are engaged in activities such as promotion of entrepreneurship in micro-enterprises sector, raising IT capacity of co-operatives, development of professionalism among the credit co-operatives, social performance and social audit, common endeavour to combat desertification by organising Green movement, etc. It is argued that the five main pillars of Filipino development strategy, namely (i) 'Poverty Alleviation and Empowerment of the Poor' (ii) Inclusive Growth (iii) Good Governance, Integrity, Transparency and Eradication of Poverty (iv) Ecologically Sound Policies for Development and (v) Rule of Law and Lasting Peace provide a framework for co-operatives and other civil society groups to synergise their activities, in areas such as mitigation of climate change, development of renewable sources of energy. For this to happen, it is felt that the SHG movement could be restructured and brought within the ambit of co-operatives by a policy change to bring about a cohesive unified action to alleviate poverty and to enable the coops to play a greater role in sustainable development. It was pointed that while Philippines had 70% forest cover in 1860, in 2010 it stood reduced to only 19% threatening the mega diversity including huge marine diversity for which the country is known in the entire world. The advocacy role of the civil society could be backstopped by the co-operatives in initiating practices

and methods which could be at once conservation and income-generation oriented such as forest-based activities, coconut sugar processing, and dairy, Organic Tea and Coffee Plantation Co-operatives and Electric Co-operatives based on renewable energy sources, etc. CDA could 'anchor' this integrated development of co-operatives, SHG's and civil society activities with necessary legislative changes and might require quasi judicial powers to act as the lead agency to determine the capital base depending on the functioning and the kind of support services likely to be provided, the monitoring and evaluation norms, the kind of strategic alliances that could be forged and laying down of formation and performance standards. In fact CDA needs a new charter to take up this role.

3. The important features of co-operatives in Philippines are:

- (a) Comprehensive law for co-operatives-Philippines Co-operative Code 2008 and (b) The Co-operative Mid Term Development Plan. The Co-operative Code lays down that it is the declared policy of the state to foster the creation and growth of co-operatives as a practical vehicle for promoting self-reliance and harnessing 'people power' towards attainment of economic development and social justice, This is a clear commitment to the co-operative sector which is reiterated under Art 4 embodying all the seven ICA Principles in the law itself. Philippines is one of the few countries which has incorpo-

rated these ICA Principles in its statute. Art 23 categorises three broad types of co-operatives – Primary, Secondary and Tertiary and lists - not exhaustively though-20 types of co-operatives which are to function as per the Rules made under the code which again is a special feature of the Co-operative Law of Philippines. The act lays down the conditions for merger of amalgamation of co-operatives and in regard to functioning of co-operative unions and Federation under Articles 21, 24, 25 respectively. Art 71, 72 and 73 laying down the capital, its source and limitation share capital holding (10% at the maximum for every member) are in tune with co-operative principles of equity and democratic functioning. Based on Article 80 Rule 11 defines social audit as a procedure where the co-operative assesses its social impact and ethical performance vis-a-vis its stated mission, vision, goals and code of social responsibility. This is again a special legal provision which also lays down under Section 5 components and indicators of social audit and it is the duty of every co-operative society registered with the Co-operative Development Authority to submit to this authority the Annual Social Audit Report under section 7 of the Rule 11 as conducted by an independent Social Auditor accredited by the Authority.

- 3.1 In this and all other vital matters, CDA has both the development and regulatory functions of a decisive nature beginning with laying down the functions and responsibilities of the Board of Di-

rectors and the power to order dissolution of a co-operative under Art 67. In fact CDA has an overriding supervisory role. During discussion with CDA officials, it transpired that there was still need for institutional strengthening of CDA in certain areas like (a) enhancement of delivery mechanism, power to initiate policy reviews, monitoring and evaluation (b) formulation of standards in performance which is not covered under social audit and to initiate steps to empower the coops and to help them to acquire core competency. In other words, it is felt that the present code underscores, the regulatory aspect more than the development role of the CDA and the former may also include powers of judicial arbitration, 'visitorial power' to inspect and to report malfunctioning of co-operatives and examine all proposals for cessation and dissolution of co-operatives. As of now, these powers are not conferred on the CDA though Art 44 and Art 53 provide that functions, responsibilities and training requirement of Directors, Officers and Committee Members as well as their training requirement shall be in accordance with the Rules and Regulations issued by the CDA and further the requirement under section 2 of Art 53 of submitting 4 reports on their work to CDA by all co-operatives within 120 days from the end of the calendar year indicate strong supervisory powers. However, as regards settlement of disputes, conciliation and mediation proceedings, Art 137 provides for a crucial role for the conciliation and mediation committee of the co-operative failing

which the matter shall have to be settled through voluntary arbitration before any complaint could be filed with the CDA. And appeal against the decisions of the voluntary arbitrators shall have to be submitted before the office of the President. When one considers the provisions under Art 138 which gives power of reviewing and monitoring the proper implementation of the code to the Joint Congressional Oversight Committee on co-operatives it becomes evident that the power is overriding and CDA's role is secondary at the operational level. The point about expanding and deepening the role of CDA therefore merits serious consideration.

- 3.2 Co-operative Education and Training Fund and Co-operative Development Fund are two important mechanisms for capacity-building of the co-operatives. Article 86 lays down the order of distribution of net surplus of every co-operative and how this fund is to be utilised including the 10% limit to the contribution to the Cooperation Education and Training Fund (CETF). However, there is need for periodic evaluation of these funds to assess its impact on capacity-building. No data or assessment in this matter was available during the visit. Nevertheless, there has been a strong policy commitment and support to enable the co-operatives to reap the gains of globalisation by attaining a competitive edge, the most concrete manifestation of support is the inclusion in the Philippine Co-operative Mid term Development Plan 2011-2016 under Policy Opera-

tion No.2 on providing an enabling environment for the strengthening and development of co-operatives and identifying four specific policy requirements as follows:

1. Redefining Roles: The primary role of government shall be regulatory. CDA will support the development role of co-operatives.
2. Encouraging stakeholder participation in co-operative development to allow complementary efforts, maximise use of limited resources and achieve greater strategic impact from collaboration.
3. Internalising the principles of good governance in the co-operative sector; and
4. Providing the appropriate communication and advocacy support for partnership.

Specific programmes and strategies have been identified by both government and the co-operatives to be implemented within the Plan period. Some of these are:

1. Developing a framework for merger and consolidation of co-operatives
2. Developing an incentive programme for merger and consolidation of co-operatives
3. Strengthening of the CDA's supervision, monitoring and evaluation functions;

4. Strengthening of federations and unions and partner institutions and
5. Strengthening of linkage with international partners.

If properly implemented, the aforesaid initiatives will create a durable base for consolidation and progress of the co-operative sector in Philippines.

## 2. SRI LANKA

The Socialist Democratic Republic of Sri Lanka has a total land area of 65,630 sq km of which 1.9 million hectares is cultivable and the share of agriculture to GDP was 19% in 2004. The first agricultural credit society was registered in 1906. The long history of the co-operatives in Sri Lanka is generally discussed in four phases, such as Credit Society (1942-1957), Consumer and Agriculture Co-operative Society (1955-1971) and Multipurpose Co-operative Society-MPCS (1971 onwards). There are over 50 different types of co-operative societies functioning in the country. The National Co-operative Council of Sri Lanka (NCC) is a member organization of the ICA that conducts educational programmes for members as well as employees. At national level, it has been assigned the task of planning and monitoring educational activities for members. The four regional co-operative training centres of the NCC are situated in Galle, Kahagolla and Jaffna.

1. Sri Lanka's social indicators are among the best in South Asia. The country has

achieved near universal literacy and, more remarkably, girls are on par with boys. Sri Lanka—now categorized as a middle income status country—has a comparatively low poverty level at 7.6%. In 2010, the country recovered strongly from the effects of the global recession. Capitalizing on the post-war opportunities, 8% average

annual gross domestic product (GDP) growth is expected over the next few years. The Development and Economic Indicators of Sri Lanka are as follows: [The Economic and Social Development Profiles of Sri Lanka is stated below as assessed by the Asian Development Bank. Ref. ADB Fact Sheet as of 31.12.2010]

### Sri Lanka Development Indicators

<b>Non MDG (Millennium Development Goals)</b>	
Population in Millions	20.65 (2010)
Annual Population Growth rate (%)	1.1 (2008-2011)
Adult Literacy Rate(%)	90.6 (2008)
Percent of Population in Urban Areas	15.1 (2008)
<b>MDG</b>	
Per cent of Population living on less than \$1.25 a day	7.0(2007)
Per cent of Population living below the national poverty line	7.6 (2009)
Under 5 Mortality Rate per 1,000 Live Births	15.0 (2009)
Per cent of Population using an Improved Drinking Water Source	90.0 (2009)

### Sri Lanka Economic Indicators 2006-2010

<b>Economic Indicator</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Per Capita GNI (Atlas Method) (\$)	1,350	1,540	1,780	1,990	-
GDP Growth (% change per year)	7.7	6.8	6.0	3.5	8.0
CPI (% change per year)	10.0	15.8	22.6	3.4	5.9
Unemployment Rate (%)	6.5	6.0	5.4	5.9	-
Fiscal Balance (% of GDP)	7.0	6.9	7.0	9.9	8.0
Export Growth (% change per year)	8.5	11.0	6.2	12.7	17.3
Import Growth (%change per year)	15.7	10.2	24.7	27.6	32.4
Current Account Balance (% of GDP)	5.3	4.3	9.5	0.5	3.8
External Debt (% of GNI)	45.6	46.3	42.1	-	-

The government's 10-year development plan emphasizes accelerating economic growth, with a focus on less developed regions. Since the end of the internal armed conflict in Sri Lanka in mid-2009, the government aims to promote Sri Lanka as an economic hub in South Asia. Key policy documents advocate infrastructure development and livelihood support in rural areas. ADB assistance to Sri Lanka has gradually moved from mainly agricultural support to support for the power sector, roads and infrastructure, water supply and sanitation, education, post conflict reconstruction, and development of the north and eastern regions. Sri Lanka has received coordinated support from World Bank, Japan International Cooperation Agency on portfolio management issues and across sectors. ADB assistance to the power sector helped increase Sri Lanka's electrification ratio from 67% in 2003 to 85.4% by 2009. ADB helped the poorest households afford rural electrification through grant and loan schemes to pay for connection fees. In recent years, ADB has substantially increased assistance to Ceylon Electricity Board (CEB) and Lanka Electric Company (LECO) to build new and improve existing grid substations and transmission lines through the Clean Energy and Access Improvement Project, Conflict-Affected Region Emergency Project, and Sustainable Power Sector Support Project.

Support for transport development has addressed physical, institutional, social,

and policy constraints. In 2010, ADB approved more than \$220 million for the rehabilitation of national, provincial, and local authority roads within and leading to the Northern Province. Rehabilitation of these roads will increase connectivity for returning displaced people, facilitate the provision of basic services and livelihood recovery, and encourage increased investment. An important initiative in Sri Lanka has been the North East Community Restoration and Development Project Phase I and II under which the ADB has administered grants provided by the Government of Norway, Australian Agency for Development. These projects involving \$7.3 million assisted about 35,000 displaced families to resume work under the government's Unified Assistance Scheme.

- 1.1 On the whole the people and the officials are upbeat about the growth prospects. The national goal is to transform Sri Lanka into the 'emerging wonder of Asia'. On 19.12.2011 the government informed the Parliament that 8.2% growth was achieved in the first half of 2011 and the industries grew by about 9% and the size of industrial exports increased by 63.8% to US\$ 2078 million. The Central Bank has projected 9%

**On the whole the people and the officials are upbeat about the growth prospects. The national goal is to transform Sri Lanka into the 'emerging wonder of Asia'.**

growth of the economy in 2012. About 29% of Sri Lanka's exports (about 1.7 billion Euros) go to EU reflecting a diversified portfolio and the government has fixed a target of \$ 20 billion exports for 2020. During the discussion, the officials estimated the current per capita income at \$2400 and felt that 'globalisation' did give the economy a 'push' to higher growth with price stability and in holding the prices, the co-operative sector had an important role.

1.2 The economy of Sri Lanka, however, remains predominantly rural as 75% of its population is in villages, agriculture being the source of livelihood of 70% of the population. The gross cropped areas under different crops are as follows:-

1. Paddy - 6,00,000 ha
2. Tea - 2,11,000 ha
3. Rubber - 115,000 ha
4. Coconut - 395,000 ha

Agriculture contributes about 24% of gross export earnings. Agriculture thus holds a strategic position in Sri Lankan economy and the role of co-operatives is therefore, crucial as the providers of credit inputs and marketing support.

2. Broadly speaking, Sri Lanka has a three tier co-operative structure-Primary Co-operative Societies at the Base/Village Level, Secondary Co-operatives in the form of Unions at the Provinces and Tertiary in the form of National Level

Apex Organisations. Basic statistics on these three tiers of co-operatives are at **Annex VII –XII.**

Evidently, the Sri Lankan Co-operatives deal with diverse subjects and have a membership of about 8 million which is about one third of the country's population. During the field visits, however it transpired that since an individual could be a member of several coops at the same time, this fact of 'multi-membership' might have caused inflated membership and a realistic assessment of membership could be around 3 million. An interesting feature of co-operatives in Sri Lanka is a huge 'Teachers Multipurpose Co-operative Society with about 1,75,000 members providing housing, education and other loans to its members while mobilising savings from members on monthly basis and has acquired substantial capital which gives the society potential for a lead financial intermediation role. Some important features and developments affecting the co-operative sector are noted below:

- Grant of massive loan waiver amounting to Rs 500 million by the government had the objective of uplifting the co-operatives by improving their balance sheet and to fulfil President Mahinda Rajapaksa's vision of setting up Farmers Co-operatives for the rice growers to (i) protect the farmers from becoming a constant prey to the intermediary dealer and (ii) to offer him solutions to problems of marketing, equipment and other inputs by a revamped farmer banking system to provide all loans.



- The role of women in management of co-operatives is limited even though they constitute half of the total co-operative membership which is very unusual. In 2009 out of 407 directors of the Primary Co-operative Societies only 80 were women and in Tertiary Co-operatives only 6 out of 99 Board Directors. This position could only improve by suitable amendment to the existing laws providing for reservation of women in the Board of Directors. NCC has reported that some action have been initiated in this regard by the government.
- A qualitative change in Primary Co-operatives in agriculture will be possible only when the President's thoughts mentioned above are put into practice. However, primary co-operatives with a small membership of 10-15 persons do not have a chance in a small farmer economy like Sri Lanka to become viable and experience elsewhere suggests a larger multi-purpose co-operative society at the village level comprising at least of about 1000 members as the alternative model capable of meeting the diverse needs of credit and other services including supply of essential commodities at a reasonable price as a price stability measure.
- The concept of multipurpose societies has struck deep roots in Sri Lankan economy as it has covered transport, consumer goods, health and education services with significant presence. COOPFED is the main state agency for imports and distribution of wholesale commodities and interestingly products

of Unilever, a multinational through 305 Multipurpose Co-operatives under the umbrella of COOPFED benefitting members of MPCS as well as others. In 2009, the total sales of consumer goods of MPCS was Rs 27012 million, a large share though it seems to have fallen from the 2005 sales of Rs 33455.7m. The assets and liabilities position of MPCS indicates that MPCS have built up an impressive physical and financial base and with the state commitment to promote co-operatives MPCS have a bright outlook. In fact all the institutional co-operatives may continue to perform well and deserve state support to enter into areas like health and life insurance in a big way as in Japan and Korea. It is learnt that co-operative hospitals in Jaffna and Anuradhapur have been able to provide affordable health-care to the people and the profits go to the co-operatives. There is scope for expansion of co-operatives in fisheries, handloom, handicrafts, textiles and in retailing. In retailing, co-operatives have been able to protect their space though the infrastructure needs for expansion covering Mega Coop Stores and Co-operative Super Markets and even mini city co-operatives and rural co-operatives require adequate storage which left to themselves they are unable to upgrade. Hence the need for state support as a matter of policy to develop co-operatives to play an active role in price stability. To run these co-operative enterprises efficiently along commercial lines, professionalisation of management is essential to achieve the competitive edge in order to protect

the existing privileges enjoyed by the co-operatives such as exemption from payment of Income Tax and the provision of concessional development loan to Rice Millers Co-operative Societies at 9% rate of interest by the Central Bank. The aforesaid three statements indicate the overall performance of all co-operative societies in Sri Lanka.

- National Co-operative Development Fund has been constituted by the Government based on fees at the rate of 5% of profits payable by the member co-operatives. COOPFED which has an annual turnover of rupees 1300 million pays 5% of its profit to the members and state contribution. The fund is administered by the Commissioner for Co-operative Development and is used to take up schemes to develop co-operatives including staff training, capacity building of co-operative members, etc. This is a mechanism worthy of study by other countries.
- In 2001 by an Act of Parliament, the earlier Sri Lanka Co-operative College was made a separate institution as the National Co-operative Development Institution responsible for providing management training for the co-operative sector. National Co-operative Council of Sri Lanka was registered in 1971 as Sri Lanka National Co-operative Committee and is the voice of the co-operative sector and has been taking up coordinated programmes in expansion, development and capacity building work through its sister co-operative federations like MARKFED Sri

Lanka, Consumer Co-operative Society Federations, Sri Lanka Thrift and Credit Co-operative Societies Federation Ltd., Sri Lanka Industries Co-operative Federation Ltd., Sri Lanka Co-operative Rural Bank Ltd., Sri Lanka Textile Co-operative Federation Ltd., Sri Lanka National Fisheries Co-operative Federation Ltd., Sri Lanka National Youth Services Co-operative Federation Ltd., Tea Producers Co-operative Society Federation Ltd., Sri Lanka Milk Producers Co-operative Society Ltd., and Thrift and Credit Societies Resource Management Co-operative Federation Ltd.,

3. The main legal and policy issues to move ahead.

For historical reasons, the co-operative movement of Sri Lanka grew under the aegis of the colonial government beginning with the enactment of the co-operative societies Act No7 of 1911 largely on the lines of such laws already enacted in British India. The office of the Registrar was entrusted with the responsibility of registering the societies and getting the accounts of the societies audited and a strong linkage with the Agriculture Department was formed and till World War II, the Director Agriculture had also served as the Registrar. The World War II saw massive growth of co-operatives presumably fuelled by demands of war economy and Ceylon being a major allied base which led to establishment of the Department of Co-operative Development in 1945, Co-operative Wholesale Institution in 1943 and the office of the Commis-

sioner for Co-operative Development who had also functioned as the Registrar. The 1970s saw amalgamation of more than 5100 co-operative societies into large primary societies and in the 1980s following the 13th amendment to the Constitution and after 1989 most of the activities of the co-operative sector were devolved to 9 provinces which have their own laws and the rules made there under and co-operatives function under the supervision of the Minister in Charge of Cooperation, assisted by the Departmental Secretary and the Registrar of Co-operative Societies. There is however the 1972 Act entrusting the task of establishing and administering the Provincial Coop Unions and the co-operative federations at the national level and formulating national policy and legal framework to facilitate growth of co-operative sector to the Central Ministry of Co-operative Development functioning under the Ministry of Trade, Marketing Development of Co-operatives and Consumer Services.

- 3.1 It is learnt that the process of amending the Central Co-operative Laws will take some more time and in the absence of any specific information on the kind of amendments under consideration, it appeared during discussion that the government's main concern had been to clean up the co-operatives of corrupt leadership. For this, it is proposed to empower the Ministry with the power of superseding/negating the decision of the General Body which will be exercisable only when the General Body decides to ignore or sup-

port acts of impropriety or corruption on the part of the Board of Directors. However, in view of the fact that the 'cooperation' is a 'devolved' subject, the proposed amendments would only enable the Central Minister to apply such powers as and when conferred by law to Central unions and Federations and not to the co-operatives in the provinces. The co-operative leaders feel that a more reasoned debate is required on this subject as the measure proposed might impinge on the autonomy and self-regulation of co-operatives and open the flood gates to undue state interference, argued some co-operators. This raises an important policy issue. In Sri Lanka Government Co-operative Partnership has facilitated growth of co-operatives in critical areas such as Public Distribution of Essential Commodities, Consumer Goods, Rural Credit, Health and education, Youth Welfare, etc which is captured in the very title of the Department for Co-operative Development. If however, this leads to a 'directed development' of co-operatives, it will cause harm to the co-operative movement as this will inevitably mean contraction of autonomy and reduce co-operatives into state agencies for programme implementation. To avoid this, an institutional mechanism may be created with the involvement of a serving or a retired judge of high rank at the national level to arbitrate any matter in which the decision of the government based on the report of the department and the commissioner – Registrar of co-operative societies on the functioning of

the co-operative concerned could be contested for a decision in accordance with a fair and transparent procedure.

- 3.2 The co-operatives of Sri Lanka have occupied an important space in society. In a democracy, the number counts for securing a more effective role for the sector and its lead functionaries and hence the co-operatives could play the role of a link between the state and the community as well as between the organised and the unorganised sector. In this connection, the inclusion of the large and expanding Self Help Groups (SHG) in the co-operative umbrella could be a sound policy initiative for the leaders of the National Co-operative Council for several reasons. First, SHG's and Co-operatives operate on the same principles of mutual help and target the poor and the disadvantaged. Second, as SHG's are mainly women led, it leads to empowerment of women, and strengthening of the institution of family which is the bedrock of society and third, the existing linkage of SHG's with the Bank could be used to provide production loans to members for crops, dairy and livestock, handlooms

and other crafts and unions of SHG's brought under the Thrift and Credit Society mechanism in accordance with the co-operatives laws. This will be a step to realise the goal of the Sri Lankan President of a great role for the co-operative sector embodied in *Mahinda Chitana - Vision for the Future*- quoted in the Co-operative Centenary – 2011 of the Ministry of Co-operatives and Internal Trade and is reproduced below:

“Further to the steps already taken to strengthen the Co-operative Sector parallel to the State Sector and the Private Sector. I will develop the Co-operative Sector by improving its financial viability, professionalism and management skills. In future, the development processes these three sectors will function together as equals.”

### 3. JAPAN

1. The modernisation of Japan in a short period of roughly 50 years from Meiji Restoration in 1867, her emergence as a strong nation state in the 20th century and her reemergence after World War II as the second largest economy of the world, a position Japan conceded to China only recently are among the glorious chapters of history. With a population of 128 million in an area of 77835 sq.km. of which only 12.12% is arable and a high population density of 351per sq.km., Japan has been able to overcome the geographical constraints by developing a knowledge and urban led economy as evident from the dominant role of service and industry sectors in her economy – 67.7% and 30.9%

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respectively. Tokyo, the largest city in the world with 25% of Japan's population covers only 4% of the land area. Though the economy has been sluggish for nearly a decade registering 0.1% growth since 2000, its size was close to \$ 9 trillion in 2007 and a per capita GNI of \$ 37670 is among the highest in the world (Source: World Development Report, the World Bank 2010)

1.1 Co-operatives constitute a strategic segment of the economy though no estimate of its share of GDP has been made. Roughly one-third of Japanese households are members of co-operatives which are autonomous and member controlled. The government does not hold any equity in a co-operative. An important feature of co-operatives is the large proportion of associate members. In 740 consolidated Agricultural co-operatives, possibly the most prominent in the co-operative sector, there are 9.5 million members and 4.7 million associate members who are entitled to avail credit and mutual insurance facilities but do not enjoy voting rights though a non-member could be a member of the Board of Directors and participate in management. This flexibility has allowed infusion of capital and broadened the base of co-operatives.

1.2 Japan does not have a comprehensive co-operative law covering all types of co-operatives but have separate laws administered by ministries functionally related to the co-operatives. For example, agricultural co-operatives come

under the Ministry of Agriculture, Forests and Fisheries. Co-operatives are registered at the prefecture level at the branch office of the law ministry. Legal Affairs Bureau (LAB) in all prefectures. The power of registration of primary co-operatives thus rests with LAB, but the prefecture government has its own office to deal with co-operatives and generally oversees their functions. There has been no move to enact a common code for co-operatives because each sectoral co-operative law evolved since 1948 has its own procedures and bye-laws and thereby given a separate functional identity and sector specific working practices. This arrangement is unlikely to change in the near future. A brief analysis of the current status, issues and prospects of leading sectoral co-operatives has been made during the brief visit to Japan which is placed below.

(i) Agricultural co-operatives are the oldest and can be traced to credit unions established in 1843 and over the years got consolidated into 740 large multi-purpose agricultural co-operatives with 9 million regular and 4 million associate members. These primary societies serve as a one point shop meeting diverse needs of villagers in a cluster such as supply of credit, inputs, farm equipments, mutual insurance, loans and run gas stations, cable TV network, co-operative super market for supply of consumer goods and provide farm advisory and marketing services. However, farmers are also organised into single purpose co-operatives in

the same area for taking up of dairy, horticulture, live stock rearing and specialised cultivation like tea plantation. These co-operatives are organised into 47 prefectural unions and JA-ZENCHU at the national level is the apex body acting as the voice of the agricultural co-operatives and looking at all policy and implementation issues from the perspectives of the agricultural co-operatives. It may be mentioned that though the share of agriculture in the GDP is 1.4%, the government attach strategic importance to food supply and raising agriculture productivity (Average paddy yield in Japan is 5.26 MT per hectare) which is among the highest in the world and 80% of rice demand is being met locally. Japan has achieved 40 % food self sufficiency and agricultural co-operatives have contributed a good deal to this situation. Agriculture extension service, however, is provided by the prefectural government backed up by research at the agricultural universities and transfers the knowhow to the farmers through the agricultural co-operatives. It is widely felt that with the growing awareness of farmers and availability of technical information in the market, the role of extension is getting reduced. The co-operatives grade the agricultural produce in consultation with the wholesale market taking into account the calorific and protein value of crops to ensure a remunerative price for the farmers. An important feature of marketing is multiplicity of selling points – to local wholesale market, local super markets and to super markets at prefectural level.

- (ii) In fact, a three tier marketing structure functions at primary and at business organisation at prefecture and fed level under the specialised economic federation of agricultural co-operatives. Auction is organised with local government providing facilities. Ministry of Agriculture procures 10% of rice produced annually and the entire process is seller driven to protect the farmer's interest. JA-ZENCHU plays an important role in marketing and pricing of agriculture produce. It has promoted NORINCHUKIN Bank with investments from agriculture and fisheries co-operatives to provide credit and banking services to co-operatives and also to companies engaged in agro-horticulture based business or industry and has been using its capital even to pick up US Government Treasury Bills and also funds environmental projects. The co-operatives under the aegis of JA-ZENCHU have floated subsidiary companies to take up value addition activities and established thereby a linkage between co-operatives and manufacturing industry. The point to note is a range of services provided – from consumer stores to funeral services and wedding receptions at the Primary Agriculture Co-operatives (PAC) that have given PACs a strong social base.
2. Consumer Co-operative societies provide a wide range of services as detailed by the **Annexure XIII** and expanded their social services to diverse fields such as community-based retail co-operatives, health, housing, child rearing, and environment services apart

from co-operatives for special interest groups like University co-operatives, School Teachers and Institutional co-operatives. Consumer Co-operatives are not allowed to enter into the credit business. The entire share capital of consumer co-operatives has been contributed by members and works out to about JPY 26000 per member.

- 2.1 Health and welfare co-operatives deserve mention as it is an outstanding success and provide health cover to members as well as non-members as Japanese medical law does not permit rejection/denial of treatment to any citizen by any health service provider. Any resident can be a member of a health co-operative contributing only JPY 1000 to the share capital and all staff members of a health co-operative are also members of the co-operative. A non-member can use services up to 50% of the total business volume and in actual fact about 80% of users are members of co-operatives. 50% of capital cost of a health co-operative is met from banks, 30% from members and 20% from the government which enables a health co-operative to build the physical infrastructure. On an average a member contributes about JPY 30000, which is very reasonable, to the health co-operative and 10% of its business goes to the welfare activities. The source of working capital is the insurance companies provided at a reasonable rate of interest. The estimated average contribution of a family to a health co-operative is JPY 26000 annually and the health co-operatives

are reportedly running at 2.3% profits. In all 115 health co-operatives with a membership of 2, 748, 922 are run under the consumer co-operative law 2008 and no separate law is considered necessary. The work of health co-operatives is evaluated every 5 years by a National Evaluation Organisation. What must be noted from the policy angle is the integration of government, insurance companies and banks in an essentially member controlled cop-operative health facility providing service to members and general public of the area. It is an outstanding success story worthy of emulation elsewhere.

- 2.2 In insurance, co-operatives have a huge presence under two Federations – Japan CO-operative Insurance Consumers' Co-operative Federation (JCIF) which is an union of 164 consumer co-operatives and the National Federation of Workers and Insurance Consumer Co-operatives (ZENRSOAI) offering life and other insurance products and have 15758 co-operatives under its umbrella while JCIF has a membership base of 7, 415, 905.
- 2.3 Japan Consumer Co-operative Union (JCCU) is the apex body of consumer co-operatives and the voice of the sub sector. Its functions include participation in policy discussions, provision of all support services, creation of brand equity and facilitating foreign trade involving co-operatives. JCCU, JAZENCHU and other national federations have come together and constituted a Japan Joint Committee of Co-

operatives (JJC) to represent the cause of the sector.

2.4 The Japan's Workers co-operative Union (JWCU) founded in 1979 consists of 66 member organisations, primarily workers co-operatives embracing 11217 worker-members are engaged in social services, caring for the aged providing vocational training, employment services and its activities have thrown up some new issues. First, the definition of a worker as distinct from the employee in the organised sector has assumed importance as about one-third of the present work force in Japan is employed on a 'contingent basis' and, therefore, deserves recognition as a vulnerable group. Second, the role of co-operatives in a super ageing society has to be borne in mind as by 2050, 4 out of 10 Japanese would be over 50 and the population over 65 has gone up to 19.5% in 2005 and the forecast for 2025 is 28.7%. Japan Older Persons Co-operative Union has 22 such co-operatives and provides comprehensive services for the aged and advocate age friendly public facilities. The business areas include maintenance of buildings, long term care for the aged, child care, meal services for the old, operation of public facilities, etc., and in 2008 the turnover of this co-operative was JPY 24.95 billion. It must be mentioned that provision of vocational training or the job creation for the unemployed, middle aged and elderly is the priority activities of this co-operative and services to the aged and the

disabled constitute 31% of its total worth. JWCU has raised a demand for a new legislation recognizing 'Associated Work' as the concept of a worker co-operative and people creating their own jobs by making capital contribution of their own and retaining control over the management is still uncommon in Japan. It is learnt that support to this demand is growing as more than 800 out of nearly 1800 municipalities have sent letters to the Diet to recommend the enactment of the law. JWCU is of the view that Japan needs a basic co-operative law encompassing all sectors to cover the work of ethical and social co-operatives.

3. In taxation policy matters there has been no change in recent times as co-operatives enjoy tax concessions such as lower tax rates on profits – 22% as against 30% for other enterprises and no registration fees are chargeable to co-operatives. The government conduct audit of co-operatives without charging any fees and provide funds for training and capacity building. In conclusion, the Japanese co-operative model exhibits the following characteristics.
  - (i) Harmonious growth of co-operatives in different sectors with flexibility in operations and expanding outreach.
  - (ii) A tradition of strong policy making built within the various ministries specialising in sub-sectors.
  - (iii) Grant of autonomy and minimum of state interference and regulation.



- (iv) Productive linkage between sectoral co-operatives and strong linkage between institutional finance and co-operatives.
- (v) Active member participation in management despite high degree of professionalism.

#### 4. IRAN

1. Iran, a cradle of human civilisation is the most populous nation of West Asia with a population of 72 million and a land area of 1.6 5 million sq km has emerged as a strong nation with a distinct Islamic identity after the Islamic Revolution and a mission of attaining the status of a developed country by the year 2026. Two-thirds of Iran's population is in urban areas and its economy is oil driven and dominated by industry and service sector. Iran has a literate population (82%) with high level of literacy among women whose presence is visible and significant in all professions and a strong technological base. These factors have provided an environment conducive to growth of co-operatives in various sectors such as agriculture, housing, transport, health, consumer goods, dairy, horticulture, etc. According to the World Development Report of the World Bank 2010, economy of Iran grew @ 6% annually during 2000-2008. The Gross National Income (GNI) and per capita GNI at 2008 Prices were US \$ 251.5 billion and US \$3540 respectively. The sector wise value added data as percentage of GDP indicate the shares of Agriculture, Industry and Service at 10%, 46%, and 45% respectively. However rural

economy holds a strategic position in the economy because the government is keen to reduce dependence on foreign food and other essential imports and its unutilised potential for generation of income and employment in rural nonfarm sector.

To understand the current status and prospects of co-operatives in Iran it must be emphasised that the concept of co-operatives is rooted in Islam as Islam has always encouraged group prayers, group decision-making and solidarity and explains why cooperation and unity are considered " the grandest doctrine of Islam." This religious sanction is the foundation of co-operatives as embodied in the following statement of the supreme leader of Iran:

" The rural co-operative network, due to its people oriented, in my view, is a prominent point of economical system of Islamic Republic of Iran."

- 1.1 The role of the co-operatives has been highlighted under Article 43 and 44 of the Iranian Constitution as here under:

Co-operatives in Constitutional Law

Article 43:

Provision of decent job conditions and facilities for all, aiming at full employment and securing means of working for qualified individuals who are denied needed facilities, based on a co-operative pattern, while being mindful about impeding the occurrence of wealth

hoarding by special groups, as well as prohibiting Government from turning into an absolute authority.

Article 44:

Accomplishment of the role by co-operative sector as one of the triple parts of the Islamic Republic of Iran's economic system, abiding by Islamic rules.

General Policies of Fourth Development Plan

Para 47:

To empower co-operative and private sectors as driving force of economic development and deregulation, while preserving the efficient presence of Government in administrative domains within the framework of General Policies of Article 44 of the Constitution.

Para 48:

To enhance the capacities and capabilities of co-operative sector through encouraging the access to resources, information, technology, communications and developing its technical, economic, and financial links.

Under Article 1 of the Co-operative Law one of the objectives of the co-operative sector is to act as a means "to prevent monopoly, hoarding, inflation and harming others and to avoid government turning into a major absolute employer and to prevent wealth concentration".

In the succeeding paragraphs, an attempt has been made based on short Study Visit to Iran in February 2012 to highlight the main features of the co-operatives in Iran and especially the elaborate coordination and management structure created and backed up by co-operative laws and institutional support which has the effect of establishing what may be called an 'Iranian Model of Co-operative Development'. The basis of this model is the government objective of raising the share of the co-operative sector in the GDP from the present level of estimated 9% to 25% by the year 2020 by diversifying activities of co-operatives and by transfer of assets to co-operative sectors for example, housing. This vision deserves to be noted as a part of the national strategy to stabilise and expand the co-operative sector.

2. Iran has about 1,70,000 co-operatives of all types employing about 2.2 million persons like credit co-operatives, producers/supply co-operatives, consumers co-operatives, transport, industrial, handicrafts/carpet manufacturers co-operatives and also in housing – urban and rural and small scale mining. For example, consumers supply co-operatives have a strong presence as 11042 societies with 7,890,209 members serve a large segment of the society and have provided 140500 jobs. It may be mentioned that the government had recently created a Justice Share Co-operative with a huge base of 40 million shareholders covering all employees of the government and, therefore, together

the co-operative sector is vast and a part of the social mobilisation process and not just economic or business enterprises.

2.1 The government provides strong incentives as for example, co-operatives are allowed 25% tax exemptions and also a comprehensive system of supervising supporting and coordinating the work of the co-operatives. These responsibilities are shared by several nodal agencies as indicated below under the overall supervision of Ministry of Co-operatives, Labour and Social Welfare:

1. Iran Central Chamber of Co-operatives (ICCC)
2. Central Organisation of Rural Co-operatives of Iran (CORC)
3. Central Union of Rural Agriculture Co-operatives of Iran (CURACI)
4. Co-operative Development Bank (CDB)

2.2 The rural co-operatives are engaged in diverse fields. There are 29 Oil Seeds Growers Co-operatives with about 20,000 members/growers linked to processing mills for extraction of oil. The importance of these co-operatives lies in the fact that nearly 80% of edible oil is imported and the government therefore, is trying to increase domestic output by providing inputs, credit, training, and technology support to growers and also some subsidies. For this Oil Research Development Corporation has been set up to

provide comprehensive support to the growers.

As an umbrella organisation FARDA provides technology and training support by running training centres for training field staff and old technicians for processing mills. As a result, these mills are oilseeds growers' co-operatives driven and the linkage has given the co-operatives a bargaining power with the government in the matters of tariffs and subsidies because without such a support domestic edible oil production could not survive as prices of foreign oil were cheaper. FARDA also supports co-operatives in health, education and consumer goods.

2.3 As of now there are about 6.5 million members in rural co-operatives oriented to meet the three basic needs of farmers – productivity increase and storage as much of the produce is perishable and marketing. 1300 rural credit co-operatives have been able to meet crop loan and term loan needs of farmers availing the refinance facility from the

**The government provides strong incentives as for example, co-operatives are allowed 25% tax exemptions and also a comprehensive system of supervising supporting and coordinating the work of the co-operatives.**

Co-operative Development Bank and mobilised deposits equivalent to US\$ 260 million and the repayment of loans has been satisfactory. The Co-operative Credit Guarantee Fund, Agricultural Investment Development Fund and Special Funds for nomads in developing their livestock, support the farm lending programmes. Further, the Government schemes for consolidation of land holdings and the extant policy of reaching an 'agreed price' fixed between the government and the co-operatives which takes into account the rising costs of inputs and cultivation cost as against the earlier system of 'assured price' fixed by the Government have brought about a sense of economic security among the farmers and thereby contributed to the growth of Oil Seed Grower Co-operatives as profit making entities. The Green House Sector for production of Green House Flower Plants and Agricultural conversion industries is organised under co-operatives. In the animal husbandry sector - Ostrich and Turkey rearing and production of food for birds co-operatives have good prospects. Specialised co-operatives for taking up reclamation of land, provision of irrigation, raising plantation crops have been taken up as a part of land reforms through co-operatives and producers' co-operatives have provided the market linkage. The Specialised Co-operatives come under the Ministry of Agriculture and are organised into 87 unions of Agricultural Co-operatives responsible for monitoring and evaluation of co-operatives. The Agricultural Co-operatives have 22,000 outlets and employed

70,000 persons and 290 women's co-operatives reflect the involvement of women in the movement.

- 2.4 The coordination and governance duties in regard to Agricultural Co-operatives have been entrusted to CORC established by the government as Joint Stock Company in 1963. Its duties include policy making, planning, guiding, supporting, supervising and project appraisal and cover research, empowerment, intellectual property rights, monitoring & evaluation of co-operatives. CORC is an unique feature of Iran's co-operative structure and has established a rural co-operative network comprising 6789 rural agricultural and rural women's co-operative societies, 395 local regional and national unions and 3450 agricultural societies with 6.5 million members. This vast network enjoys advantages such as; extensive legal capabilities, embodied under the 44th principle of Constitutional Law and the 4th and 5th Development Plan Policies. The infrastructural facilities of CORC include 11567 rural shops, 5000 centres for purchasing agricultural products and supplying inputs, 12023 fuel distribution centres for rural areas, 2613 warehouses with 204 million tonnes capacity, 605 plants for winnowing, production, packaging, processing and milk collection centres and 1053 credit unites. CORC has created 21000 job opportunities. This organisation purchases, distributes and sells agricultural products and inputs (fertilisers, seeds, staple goods and fuel) amounting to 15 million tonnes for farmers settled in 57202 villages.

Aggregation of all co-operative duties of Jihad-e-Agricultural ministry to CORC, legal capacities resulted from establishment of the agricultural job system, transferring offices of " Agriculture Utilisation System" and " Constructive Mobilisation & Agricultural Society Development", to this organisation are major aspects which will result in evolving CORC in the near future to a dominant role in the co-operative sector.

Since CORC and CURACI (Central Union of Rural Agricultural Co-operatives of Iran) deal with the same subject no assessment of the work of CURACI is attempted here. CORC plays the role of an Apex Body of Rural Co-operatives. During discussion, Iranian officials agreed with the view that to be viable rural co-operatives should be large multipurpose co-operatives comprising of at least 300 members and capable providing a package of services of credit, input, marketing, technology, consumer goods under one shop and facilities for hosting wedding and such receptions.

2.5 The consumer co-operatives in Iran have a strong presence in urban areas and to a lesser degree in rural areas. Local societies are affiliated to Provincial Unions which are affiliated to National Consumer's Co-operatives of Iran. The Teachers Consumers Co-operative Society, Tehran formed by the primary teachers has 1,80,000 members and 20 branches with a sales turnover of 6.50 billion Tomans in 2010-11. The combined turnover of all 600 teachers consumer co-operative societies under

the Teachers Apex Body of co-operatives was about 650 billion Tomans in 2010-11. The societies add average margin of 8% while fixing prices which are much below the printed price and therefore, commands a dedicated customer base. However, obtaining timely working capital is a problem for consumer co-operatives.

2.6 Co-operative Development Bank has been set up with an initial capital of US\$ 500 million with the object of supporting co-operatives and has 407 branches and independent counters. It has sanctioned cumulatively loans/guarantees and facilities amounting to US\$ 2.7 million and in 2010-11 US\$ 500 million to co-operatives. Providing infrastructure for the development of the co-operative sector and helping the co-operatives to raise their share in the national economy are among its major objectives. CDB charges on average 11% rate of interest which is reasonable considering the high inflation in the country. 50% of advances were made to agriculture and about 16% to housing in 2010-11. The CDB has been supporting co-operatives outside agriculture and engaged in mining which involved small scale stone quarrying, copper mining collection and processing of marbles, food processing and in transport sector in manufacturing of spare parts for motor vehicles and also in purchase/leasing of vehicles. CDB is allowed to sanction up to 30% of its loans to organisations other than co-operatives and annually it attracts deposits of about US\$ 4 million and 65%

of its sanctioned loan in a year is term loan. The amount of loan advanced annually is about US\$ 500 million. The financial statements and the profit and loss account for the fiscal year ending March 2011 placed at **Annexure XIV & XV** show that the CDB has earned a net profit.

2.7 A notable feature of CDB is its diverse services which are profit centres. Its foreign exchange services cover buying and selling foreign currencies, money transfers and remittances offering financial facilities to export-import sector, issuance of letter of credit and guarantee, performing foreign exchange transactions pertaining to Re-finance Contracts.

3. An unique institution in Iranian co-operative system is the Iran Central Chamber of Co-operatives established under Article 57 of the co-operative law by the co-operative unions and societies to represent the co-operative sector in the Parliament and to function as a lobby for co-operatives and coordinating multifarious functions. These are discharged through 31 chambers of co-operatives in different parts of the country and 42 apex unions. ICCC takes part in the activities of National Economic Council and Foreign Investment Committee to project the perspectives of co-operatives and also conducts training programme. The government provides about \$ 10 million to ICCC as annual grant. ICCC also raised about \$ 4 Million annually from the affiliated organisations and main-

tains its autonomous character. On all policy and major implementation issues ICCC is consulted by the Government. Its role is basically supportive of co-operatives and not supervisory and its training role is particularly important towards capacity building.

3.1 An overview of the co-operative is not complete unless one takes into account the entry of co-operatives in running hospitals, small scale power generation plants, irrigation systems, public utilities, education, telecommunications and special initiatives in housing that the government has been facilitating in Iran. During discussion with senior officials it transpired that transfer of public assets including infrastructure facilities, to co-operatives and housing for instance, is a mechanism adopted for raising the share of co-operatives in the economy and this, if sustained, could bring about a state co-operative partnership as a major feature of the economy. It is projected that by 2015, the share of co-operatives in value added shares in urban housing will go up from 15% to 40%. Such increase has been projected for agriculture and transport co-operatives consisting of owners of trucks and buses. On the whole, the total investment in the co-operative ventures by 2015 is projected to be of the order of US\$ 250 billion of which US\$ 130 billion will come from banks and US\$ 120 billion through the co-operatives. To raise the management capacities of co-operatives, professionals from outside are being appointed to large co-operatives and a 'consortium

approach' involving private-public expertise is pooled to provide training to co-operative personnel.

4. On specific query about the role of the inspector in the actual functioning of co-operatives under Article 29 of the co-operative law it was clarified that the inspectors enjoyed no right to interfere in the functioning of the Board of Directors of a co-operative. As regards the legal framework, it is learnt that amendments are under consideration of the government which will allow non-members to contribute up to 49% of the share capital of a co-operative though their voting rights as well as representation in the Board of Directors will be restricted to 35%. *Prima facie*, it appears that this will bring about a drastic change in the composition and management of a co-operative as it will dilute the degree of control exercised by the members in the management and decision-making

process though it will widen the members base as well as the capital base of the co-operatives. Much, however, will depend on how the amended law is actually implemented.

On the whole, the co-operatives in Iran reflect a vibrancy and capacity for expansion largely due to state commitment to co-operatives and the successful effort to establish comprehensive institutional support system geared to diversify the spread of co-operatives to rural and urban areas. There is thus an Iranian 'model' of state supported co-operative development with a perspective plan to place co-operatives as a major sector of the economy contributing 25% of GDP. In the context of West Asia's oil rich economies this 'model' has relevance and Iran's multipurpose, diversified rural co-operatives linked to industry as in the case of edible oil hold lessons for rural farm and non-farm sectors of neighbouring countries.

## LIST OF OFFICIALS AND COOPERATORS MET DURING STUDY VISITS

1.	Mr. Eichi Honda	President and CEO	Consumer Co-operative Kobe	Tokyo, Japan
2.	Mr. Katsuya Kida	Director	Consumer Co-operative Kobe	Tokyo, Japan
3.	Mr. Akira Banzai	President	JA-ZENCHU	Tokyo, Japan
4.	Mr. Nagato Yuzo	President	Japan Workers Co-operative Union	Tokyo, Japan
5.	Ms. Yoshiko Yamada	International Relations	Japan Workers Co-operative Union	Tokyo, Japan
6.	Mr. Takako Tsuchiya	International Relations	Japan Workers Co-operative Union	Tokyo, Japan
7.	Mr. Honda Machiko	The Editorial Staff	Japan Workers Co-operative Union	Tokyo, Japan
8.	Mr. Nagato Yuzo	President	Japan Workers Co-operative Union	Tokyo Japan
9.	Mr. Toru Fujita	President	Japan Workers Co-operative Union	Tokyo, Japan
10.	Mr. Hajme Yoguchi	Executive Director	JA-ZENCHU	Tokyo, Japan
11.	Mr. Shimamura Hiroshi LLD	Chief Researcher	Japan Institute of Co-operative Research	Tokyo, Japan
12.	Mr. Masahiro Matsuda	Specialist International Cooperation Office	JA-ZENCHU	Tokyo, Japan
13.	Mr. Shuitsu Hino	Vice President	Japan Health and Welfare Co-operative Federation	Tokyo, Japan
14.	Mr. Nobuhiro Furumura	Executive Director	Japan Workers Co-operative Union	Tokyo, Japan
15.	Mr. Tashima Yasutoshi	Secretary General	Japan Workers Co-operative Union	Tokyo, Japan
16.	Mr. Yukata Aqtake	Operating Officer / General Manager Public Relation Office	Japanese Consumers Co-operative Union	Tokyo, Japan
17.	Mr. Katsumi Asada	President	Japanese Consumers Co-operative Union	Tokyo, Japan



18.	Mr. Michihiro Higuchi	First Organisation Unit Chief, Agricultural Division	Ministry of Agriculture, Forestry and Fisheries	Tokyo, Japan
19.	Mr. Hiroshi Tokubo	Executive Director	Japanese Health and Welfare Co-operative Federation	Tokyo, Japan
20.	Mr. Kuto Kabayeashi	Agricultural Co-operatives Division	Ministry of Agriculture, Forestry and Fisheries	Tokyo, Japan
21.	Mr. Hiroki Tokubo	Executive Director	Japanese Health and Welfare Co-operative Federation	Tokyo, Japan
22.	Mr. Haruyoshi Amano	Manager, International Department	Japanese Consumers Co-operative Union	Tokyo, Japan
23.	Gholam Hussein Hosseininia, PHD.	Hon'ble Minister, Faculty Member,	Government of Iran, Tehran University	Tehran, Iran
24.	Mr. M. Momen Safaei	Member of the Board of Directors	Central Organisation for Rural Co-operatives of Iran	Tehran, Iran
25.	Mr. M. Mohammad Zadeh	Member of the Board of Directors	Central Organisation for Rural Co-operatives of Iran	Tehran, Iran
26.	Mr.M.R. Raeisi Nejad	Managing Director Member of the Board of Directors	Central Union Rural and Agricultural Co-operatives of Iran	Tehran, Iran
27.	Mr. Ali Hossein Shahrivar	General Manager	Iranian Cooperators House	Tehran, Iran
28.	Mr. Rahamatollah Banar	Director Manager	SCURA	Tehran, Iran
29.	Mr. M. K. Mohamadi	Senior Expert of International Affairs	Iran Central Chamber of Co-operative	Tehran, Iran
30.	Mr. S. Y. Mousavi	Foreign Commerce Manager	Central Union of Rural & Agricultural Co-operatives of Iran (CURACI)	Tehran, Iran

31.	Mr. Dariush Pakbin	Secretary General	Iran Central Chamber of Co-operatives	Tehran, Iran
32.	Ms. Sylvia " Bai Mahingpit" Okinkay Paraguya	Chief Executive Officer	National Confederation of Co-operatives (NATCCO)	Manila, Philippines
33.	Mr. Emmanuel M. Santiagucl	Chairperson, CDA	Board of Administrators Co-operative Development Authority	Quezon City, Philippines
34.	Mr. F. E. D. Caingles	Director	Institutional Development Department, Co-operative Development Authority	Quezon City, Philippines
35.	Mr. Rico B. Geron	General Manager	SOROSORO IBABA Development Co-operative	Soroibaba, Batangas City Philippines
36.	Mr. Sunil S. Sirisena	Secretary	Ministry of Co-operatives and Internal Trade	Colombo, Sri Lanka
37.	Mr. Priyantha Mayadunna	Additional Secretary	Ministry of Co-operatives and Internal Trade	Colombo, Sri Lanka
38.	Mr. H. N. Bandara	Director	National Co-operative Council of Sri Lanka	Colombo, Sri Lanka
39.	Mr. W. H.. Karunaratha	Commissioner of Co-operative Development and Registrar of Co-operative Societies	Department of Co-operative Development, Ministry of Co-operatives and Internal Trade	Colombo, Sri Lanka
40.	Mr. Sunil Silva	General Secretary	National Co-operatives Council of Sri Lanka	Colombo, Sri Lanka

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# ANNEXURE

## ANNEXURE – I

9th ICA-AP Co-operative Ministers' Conference, Bangkok, Thailand

### QUESTIONNAIRE

FOR PARTICIPANTS OF THE 8th ICA –AP CO-OPERATIVE MINISTERS' CONFERENCE  
HELD AT KUALA LUMPUR IN 2007

**INTRODUCTION:** The 8th ICA-AP Ministers' Conference in Kuala Lumpur made six major recommendations under following heads for consideration and adoption at the level of the governments and co-operatives to carry out reforms in co-operative policies and Laws to enable the co-operatives to adapt with the changing global scenario and to work in all fields of human endeavour. Please indicate actions taken on these recommendations in your replies to the questions placed below. To facilitate your replies, a set of supplementary questions are also placed which are explanatory in nature. Kindly send your replies at savitrisingh@icaroap.coop by 31 October, 2011.

Please find the questions corresponding to the relevant provisions of the Kuala Lumpur Declaration.

Noting the multi dimensional impact of globalization on socio-economic life of the people of Asia and Pacific and their institutions particularly co-operatives;

Taking note that while globalization and liberalisation of national economies has resulted in enhanced economic growth and prosperity, its gains have not been equitably distributed among the people particularly the poor and more vulnerable sections of the community;

**Question 1:** What is your perception and experience of multi-dimensional impact of globalization in your country and how your organisations coped with the same and particularly the adverse impact on the vulnerable sections of the population?

[Related Supplementary Questions at Annexure II – Q.1, Q.2, Q.3, Q.4, Q.5]

Reply

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Appreciating the urge of co-operative movement to participate in the developmental process for harnessing the gains of globalization and for taking them to people for poverty reduction, employment generation and equitable national development;

**Question 2:** What have been the gains of globalization enabling co-operatives to help poverty reduction or employment generation?

[Related Supplementary Questions at Annexure II – SAME AS ABOVE]

Reply: \_\_\_\_\_

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Realizing the importance of enabling co-operative legislation and policies for creating conducive environment for development of co-operatives;

Appreciating the role of ICA to continuously facilitating the dialogue between the co-operatives and the governments to enhance the role of the co-operatives for economic growth and prosperity in the region;

We the participants of the 8th Ministers' conference on "Co-operative Legislation and Policy" held in Kuala Lumpur, Malaysia from 12-15 March 2007:

Urge upon the Governments to catalyze the process of re-orienting the Co-operative Legislation and Policy to strengthen apolitical and autonomous character of co-operatives and to provide a positive level playing field to co-operatives to enable them to compete in the globalized market.

**Question 3:** Has the Government initiated any new measure since the KL Declaration to re-orient the co-operative Laws and Policies to uphold the autonomous and an apolitical character of co-operatives?

[Related Supplementary Questions at Annexure II – Q.8, Q.9]

Reply: \_\_\_\_\_  
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Call upon the Co-operative Movements to contribute effectively in the process of economic development, amongst others, by organizing small producers including farmers, workers and protecting consumers through self-help mode and also ensuring increased participation of women and youth in the co-operatives.

**Question 4:** Have co-operatives acted on the Declaration and taken steps to organise small farmers, consumers and workers through self-help mode to enable them to participate in the economic development process?

[Related Supplementary Questions at Annexure II – Q.17, Q.18, Q.21, Q.22]

Reply: \_\_\_\_\_  
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Exhort Co-operatives and Governments to strengthen management capacity, participatory governance and fair business relationship for ensuring healthy functioning of co-operative system through innovative strategies.

**Question 5:** What measures have been taken by Co-operatives/Government to develop innovative strategies for capacity building of co-operatives and to establish fair business relationship in your country?

[Related Supplementary Questions at Annexure II – Q.16, Q.25, Q.32, Q.35, Q.37, Q.39]

Reply: \_\_\_\_\_  
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Considering the dynamic changes and trends emerging in the national economies, we also call upon the Co-operative Movements and the Governments in the region to periodically review the efficacy and effectiveness of Co-operative Legislation and Policy and introduce appropriate reforms.

**Question 6:** Has any review of the efficacy of co-operative law and policy been carried out as per the

declaration of the 8th Co-operative Ministers' Conference? If so, please furnish a summary of the review.

[Related Supplementary Questions at Annexure II – Q.1, Q.7, Q.9, Q.11, Q.13, Q.21, Q.29, Q.30, Q.31]

Reply: \_\_\_\_\_  
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Recognizing co-operatives as an important and significant sector of the national economy effectively contributing to the development, we affirm our support for Co-operative Movement as a sustainable and efficient institution through:

1. Encouragement of co-operative entrepreneurship by inculcating entrepreneurial spirit and skills among the members, leaders and managers of the co-operatives through education and training.
2. Attainment of economy of scale and strategic business alliances among co-operatives both domestically and internationally.
3. Role clarity among different tiers to enhance impact of the Co-operative Movement.
4. Harnessing the gains of the fair globalization and liberalization for the benefit of members.

**Question 7:** Considering the support pledged to the co-operative movement in the 8th Conference to attain efficiency and sustainability through measures such as attainment of co-operative entrepreneurship, strategic alliances, and economy of scale with clear demarcation of roles assigned to each tier of the co-operative movement in order to harness the gains of globalisation. What concrete steps have been taken by Co-operatives/ Government since 2007 to realize these objectives?

[Related Supplementary Questions at Annexure II – Q.14, Q.15, Q.16, Q.19, Q.26, Q.36, Q.37, Q.38, Q.39]

Reply: \_\_\_\_\_  
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## ANNEXURE-II

### Questions Based on the Recommendations of the 8th ICA-AP Ministers' Conference

#### Clear Policy and Law on Co-operatives

**Question 1:** Has any review of government Policy and Law on co-operatives been carried out with participation of co-operatives clearly defining the roles of the Government, self-regulatory nature of co-operative functioning and authorising Apex co-operative organisations to regulate the primary societies in a manner conducive to their growth?

Reply: \_\_\_\_\_

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**Question 2:** Have the Government introduced support measures to diversify the activities of the co-operatives into innovative sectors like health, formal education and other public policy initiatives such as livelihood creation and security for the disadvantaged, etc?

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#### Political Neutrality

**Question 3:** What measures have been taken by co-operatives to ensure that the co-operatives are isolated from politics and are not used as political platforms and instead use their weight as an alternate socio-economic force lobbying for social economy?

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#### Drafting Co-operative Laws

**Question 4:** Has the Government acted on the recommendation that elements of tax laws and regulations should not be a part of the co-operative law which being 'organisation law' should cover management aspects of co-operatives following a general concept with autonomy and power to make bye laws drafted in a language that an ordinary citizen could follow?

Reply: \_\_\_\_\_

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#### Contents of co-operative Law

**Question 5:** The 8th Ministers' Conference recommended provisions laying down a definition of co-operatives, criteria to determine a genuine co-operative society, rules against demutualisation, improved governance, a policy for registration of co-operatives, minimum requirement of capital, delinking management with ownership of co-operatives, pre-registration audit and membership, a minimum contents of bye laws, etc. What actions have been taken on these recommendations?

Reply: \_\_\_\_\_  
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**Globalization and Co-operative Advantages**

**Question 6:** Following the recommendations of the 8th Conference, has your Government made efforts to adopt a proactive, pro-poor initiative, a high standard of co-operative governance more effective than corporate governance and active involvement of co-operatives in W.T.O. round of discussions to protect the interests of small producers and farmers?

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**Contradictions and Dilemmas**

**Question 7:** The 8th Conference has thrown up certain issues, seemingly conflicting which need to be resolved such as balancing Government assistance with autonomy of co-operatives, engaging external directors to overcome deficiency in leadership in co-operatives, compensating co-operatives for extra (social) costs in implementing poverty alleviation programmes, exploring strategic partnership with private corporate sector, etc. Have your Government or organisation formulated their views on these issues?

Reply: \_\_\_\_\_  
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Questionnaire for Preparation of the Background Paper for the 9th Ministers' Conference in Feb- March 2012 on status of action on Resolutions and Recommendations of the 8th Ministers' Conference on Coop Legislation and Policy.



## EXPLANATORY / SUPPLEMENTARY QUESTIONS Regarding Annexure I and II

1. Since four years have passed after the 8th Ministers Conference on Co-operative Legislation and Policy and the global economy faced a crisis from 2007- 2008 and the economies of US and a number of EU countries are struggling till date to cope with economic slowdown and unemployment. What in brief has been your country's experience of multi dimensional impact of globalisation such as the impact on trade amongst co-operatives within the country or outside?
2. Was the impact wholly benign or partly and if so what has been according to you the problem areas affecting the economy at present and their implications for the co-operatives in your country?
3. Are the rural co-operatives especially those designed to serve the poorer segments being affected in any manner by these problems in post 2007 period?
4. What has been "the multi-dimensional impact" as above on urban co-operatives particularly those operating in financial and other service related activities including those in housing, industrial or business credit and manufacturing and value addition activities?
5. Is your country experiencing like a number of major economies in the region the phenomena of jobless growth especially in the capital intensive organised sector? If so, what has been its spread - sectorwise and where is this most pronounced or observed and whether co-operatives operating in these sectors are in a position to address these issues?
6. Do you feel the need for any Policy change in the light of the post 2007 experience with globalisation and if so what are these areas and specify the policy gaps and needs to bridge the same to create 'enabling policies' as recommended in the 8th Ministers Conference?
7. Have you initiated any change or exercise already in your national policy on co-operatives and if so necessary policy documents may kindly be sent to ICA ROAP?
8. Did you feel the need for 'a proactive legislation' by way of amendment to your existing co-operative law to deal with any of the multi-dimensional effects of globalisation and what are the gaps in law or procedures which warrant amendment or enactment of new laws?
9. Have you acted on the recommendations of the 8th Ministers' Conference to review periodically within the government the effectiveness of Co-operative Policy and Legislation?
10. If the answer of the Q.9 is in the affirmative please indicate the periodicity of the reviews and when such review was held last and outcome of review including the changes considered necessary and the problem areas identified if any?
11. Did you consider/examine and act upon the recommendations of the aforesaid conference to introduce appropriate reform in the policies and laws for co-operatives to enhance the impact and scope of the co-operatives in the era of globalisation and if so please indicate the specific reforms or changes and in the light of the recent trends of global economy and your country's experience do you think that your country should go on a "fast track" to introduce these reforms?
12. Do you feel that your co-operative laws and functional procedures still contain provisions which impinge on or stand in the way of 'apolitical' and autonomous character of co-operatives even after years of efforts by ICA and your government and if so please specify these provisions indicating reason why these provisions produce 'the effect' as aforesaid and what should be done to improve the level of 'a political' and autonomous character of co-operatives in your country?
13. What steps have been taken to implement the recommendations of the 8th Ministers'

- Conference to promote cooperation among co-operatives through 'strategic' business alliances both domestically and internationally?
- 13(a) Could you please give some specific instances or case studies if any of such inter-co-operative alliance to meet common business or social goals in your country?
  - 13(b) What is your perception of such strategic business alliances in domestic economy and the activity focus of such alliances and in the same sense what has been your experience or effort towards foreign strategic alliances involving domestic and foreign co-operatives or co-operative federations?
  14. What according to you are the promising areas of such strategic alliances - in commodity market? What according to you are the prospects of strategic alliances amongst primary co-operatives in villages sharing both sides of an international border and areas sharing a common resource which could be the basis of fair trade either as commodities or value added products based on an agreed production programme of value addition?
  15. Since globalisation is founded on a fiercely competitive market place, the aforesaid conference underscored the imperative need in the co-operative sector to build their capacity to compete by raising *inter alia* management capacity of the co-operatives. What have been the concrete steps taken by your government in this matter? Please specify if special courses of training of co-operative managers were organised in pursuance of these recommendations and whether in your opinion such training and exposure have improved the managerial capacity of core management staff of the co-operatives?
  16. A suggestion related to Q.15 was to launch efforts to inculcate entrepreneurial skills and spirit among the members through 'innovative strategies'. Have you taken steps to evolve such a strategy and if so, what are the main elements of these innovative strategies and specifically in what special way are these strategies innovative and what have they achieved or contributed towards growth of the spirit and skills of entrepreneurship? Could you please give some concrete instances of 'skill enhancement'?
  17. Have you acted on the suggestion to show case the contribution of strong and vibrant co-operatives in building national economy to generate a ripple or multiplier effect? If your answer to the question is yes, please indicate the better performing sectors and name the societies and the manner and form in which the ripple effect was generated and if a formal case study was carried out and the results published? If so a copy of the report may be furnished so to ICA ROAP.
  18. Since its inception, ICA has been emphasising the advantages of co-operatives in building social harmony and national economy and responding to this advocacy, the governments of the members nations have been extending support to the co-operatives in different forms such as financial assistance, managerial support and tax benefits to promote employment, income-generation, social equity and justice.  
What is the current position of such 'support package' for co-operatives? Please give details.
  19. The distinct character of the co-operatives being 'private self help organisations'; the 8th Ministers' Conference suggested that the policy on co-operatives should allow co-operatives to work in all fields of human endeavour. In this background please indicate the spread of co-operatives in different fields in your country sectorwise.
  20. Since the aforesaid Conference, was there any positive development in Policy on Co-operatives defining more clearly the role of the government vis-a-vis the co-operatives and that of the apex co-operative institutions vis-a-vis primary co-operatives as regulator or guide and not as controller?
  21. In pursuance of the recommendations of aforesaid Conference, has the government introduced support measures for co-operatives engaged in activities such as livelihood security for the disadvantaged in the form of tax benefits, soft loans, access to public works

- programme and special procurement provisions? If so, could these measures now in force be specified?
22. A kind of 'watchdog' role was envisaged for co-operatives in assessing the globalisation process which was also implicit in another recommendation to ensure participation of co-operatives in WTO round of discussions to protect the interest of small producers, farmers and consumers. In this backdrop, please indicate if any co-operative or apex co-operative organisation has been able to go deep into the issues arising out of globalisation in your country or whether the co-operatives were involved either directly or indirectly or their views taken into account in WTO deliberations especially on issues such as export subsidy, domestic support. Trade related intellectual property rights, sanitary and sanitary measures, etc?
  23. Have co-operatives in your country been able to diversify into innovative sectors like infrastructure building, service industry, disaster mitigation and preparedness, formal schooling, education and healthcare as recommended by the 8th Conference and if so what are the sectors the co-operatives could enter with beneficial effect in the society?
  24. The aforesaid Conference declared emphatically that the co-operatives should be delinked from politics and not to be used as instruments for implementation of political programmes or as a stepping stone for pursuit of political careers. Has your government set up any mechanism backed up by law to ensure political neutrality of co-operatives?
  25. Co-operatives are viewed as not just business organisations but an 'alternative economic force' to lobby for favourable legal, economic and social framework conditions for the sector called social economy. Keeping in view this perspective of the aforesaid Conference, have the co-operatives been able to function as a lobby as envisaged or making any progress to this direction?
  26. Since co-operative laws is essentially 'organisation law' the conference felt that it should rather deal with formation, membership, management and issues pertaining to co-operatives and not burdened with elements of tax law and regulations. Are the co-operatives laws in your country in conformity with this idea and whether there is one common co-operative law based on a common concept or several laws for different types of co-operatives?
  27. Expressing its deep concern for autonomy for the co-operatives, the life blood of co-operative movement, the conference recommended a balancing mechanism between regulation and autonomy which should leave bye-laws to the co-operatives to meet local requirements and "regulation" aiming not at "control" but for ensuring protection of rights of members and special character of co-operatives and interest of the general public. Seen from this angle, are the laws, Regulations and Procedures of your country in conformity with this broad consensus?
  28. Stressing the need for the simple construction of co-operative laws avoiding complex and technical language as it should be comprehensible to ordinary citizen and co-operative, the conference suggested that those who draft co-operative laws should work in collaboration with specialists from the co-operative movement and draft laws in a participatory manner. Has this suggestion been put to practice?
  29. As regards contents of co-operative law, the conference suggested provisions with a clear definition of co-operatives, criteria to determine a genuine co-operative society, policy for registration of co-operatives, minimum requirement of capital, pre registration audit, membership rights and obligations, acquisition and termination, etc. What progress has been made in this direction so far ?
  30. The conference stressed that co-operative laws should define minimum contents of bye-laws which are to be so framed as to protect the autonomy of the co-operatives and to restrict their functioning. Has this suggestion been implemented?
  31. The conference emphasised the need for improved governance under a legal regime en-

- sureing fair election, election of trustworthy leaders, transparency, accountability and good governance practices and delinking management from ownership to promote professionalism, audit and participation of women.. What is the current status of implementation of these recommendations?
32. The Conference viewed strongly the need for Rules against demutualisation and transformation of co-operatives into companies and recommended a quorum of two-thirds of all members present and voting and with a two third majority for taking any decision on such proposals. Have the co-operative laws and rules been amended to incorporate these suggestions?
  33. The Conference recommended a strong pro poor orientation in the functioning of co-operatives for protection of livelihood security of the people engaged in informal sector in particular. Have the co-operatives adopted this as a part of their agenda?
  34. On co-operatives participation in poverty alleviation programmes, the conference also felt that it entails some (social) cost to be borne by members and these are 'non profit making activities being in the nature of 'capacity building of the poor'. By implication, the government has to incentivise such co-operatives. Has any substantial step has been taken in this vital matter to provide incentives to co-operatives?
  35. Training or promoters of co-operatives and strategic partnership between co-operatives and private sector have also been underscored. Have the Government taken any initiative to implement these suggestions?
  36. Affordable health cover for all specially in rural areas has been the objective of many member countries and various initiatives have been taken to extend health cover to the citizens directly by state-agencies and indirectly by promoting medical and health sector in most countries, though there is enormous scope in the use of co-operatives as a mode of delivery of affordable healthcare especially for running of hospital and related facilities. In this background of the overall poor health situation in most member countries of Asia and Pacific region, do you consider it necessary to formulate a special policy to promote a package of services covering health, family welfare, women and child health and nutrition by supporting formulation of co-operatives to take up these functions and what are your specific suggestions in this regard?
  37. Since in many member countries, fishing is the basis of livelihood of thousands of families of fishermen and a number of state laws enacted over the years encourage and promote fishing by fisheries co-operative societies comprising of countries traditionally involved in fishing, it is considered that special steps are necessary in member countries endowed with this resource to protect the livelihood of poor fisherman by providing a package of legal, financial, management and marketing support. This has assumed urgency in view of spread of deep sea fishing by trawlers engaged by large corporate to reducing drastically in some cases the areas accessible to traditional fisherman by using small country or power boats. Would you in this situation recommend a special policy package for promotion of co-operatives not only for capturing fish but also for processing of fish on co-operative basis?
  38. Though housing especially urban housing has been a traditional area for the co-operatives comprising of members who are willing to pool their resources to develop group housing and many member countries have enacted laws and framed policies to facilitate growth of co-operatives in the housing sector and offered concessional terms of lending to housing co-operatives by banks, yet there are many taxes payable for services or even acquisition of titles by individual members. Do you feel it necessary to formulate a special policy to promote housing co-operatives on a stronger footing to deal with urban homelessness, destitution and even the incidents of rural houselessness accrued in some areas? What is the status of law and policy in your country in regard to co-operative housing? What measures should be taken to prevent misuse of unreasonable membership of housing co-operatives for speculative personal gain?

39. In the context of the climate change and the challenge to mitigate its effect on environment and livelihood support systems, conservation of forests has acquired a very critical importance in the global agenda as embodied in resolutions passed in post Rio period. It is imperative in this effort to emphasize the role of the communities traditionally dwelling in the forest or in the lands on proximity of forests as stakeholders and partners in conservation and environment of forest and wildlife hence, co-operatives, because of their orientation to equity and grass roots level functioning are ideal for taking up activities in the forestry sector particularly in areas of forest protection, equitable and appropriate use of minor forest produce and regeneration and maintenance of forest species.

A mechanism known as Joint Forest Management in India based on sharing functions jointly by the State and communities living in the forest all in its vicinity successfully yielded rich benefits could be basis activity focus of Introduction co-operatives in the forestry sector. Do you feel that there is scope for this initiative in your country by suitable and supportive measures to encourage the growth of co-operatives, in not only in conservation but also for gainful use of minor forest produce by such co-operatives for livelihood security of forest dwellers? Would your country's forest laws and regulations allow growth of co-operatives in Forestry or take up activities related to forest resource?

The Status of Implementation of the Resolutions & Recommendations of the 8th Ministers' Conference on Co-operative Legislation and Policy.

## ANNEXURE III

### Replies to the ICA-AP Questionnaire

#### 1. Islamic Republic of Iran

9th ICA-AP Co-operative Ministers' Conference, Bangkok, Thailand

QUESTIONNAIRE FOR PARTICIPANTS OF THE 8th ICA-AP CO-OPERATIVE MINISTERS' CONFERENCE HELD AT KUALA LUMPUR IN 2007

**INTRODUCTION:** The 8th ICA-AP Ministers' Conference in Kuala Lumpur made six major recommendations under following heads for consideration and adoption at the level of the governments and co-operatives to carry out reforms in co-operative Policies and Laws to enable the co-operatives to adapt with the changing global scenario and to work in all fields of human endeavour. Please indicate actions taken on these recommendations in your replies to the questions placed below. To facilitate your replies, a set of supplementary questions are also placed which are explanatory in nature. Kindly send your replies at savitrisingh@icaroap.coop by 31 October, 2011.

Please find the questions corresponding to the relevant provisions of the Kuala Lumpur Declaration.

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Taking note that while globalization and liberalisation of national economies has resulted in enhanced economic growth and prosperity, its gains have not been equitably distributed among the people particularly the poor and more vulnerable sections of the community;

**Question 1:** What is your perception and experience of multi-dimensional impact of globalization in your country and how your organisations coped with the same and particularly the adverse impact on the vulnerable sections of the population?

[Related Supplementary Questions at Annexure II – Q.1, Q.2, Q.3, Q.4, Q.5]

Reply: Globalisation of commerce is a threat to small businesses for the reasons that everybody knows. However, at the same time it provides opportunities

for business compatibility in economic sectors. Iran's accession to the WTO has not yet occurred in view of the organization's political considerations.

Appreciating the urge of co-operative movement to participate in the developmental process for harnessing the gains of globalization and for taking them to people for poverty reduction, employment generation and equitable national development;

**Question 2:** What have been the gains of globalization enabling co-operatives to help poverty reduction or employment generation?

[Related Supplementary Questions at Annexure II – SAME AS ABOVE]

Reply: the restoration of co-operatives to their original values; involving all vulnerable income groups; strategic alliances among co-operatives at national and international levels; enhanced efficiency through specialized management and training can lead to the reinforcement of co-operatives and hence, to employment generation.

Realizing the importance of enabling co-operative legislation and policies for creating conducive environment for development of co-operatives;

Appreciating the role of ICA to continuously facilitating the dialogue between the co-operatives and the governments to enhance the role of the co-operatives for economic growth and prosperity in the region;

We the participants of the 8th Ministers' Conference on "Co-operative Legislation and Policy" held in Kuala Lumpur, Malaysia from 12-15 March, 2007:

Urge upon the Governments to catalyze the process of re-orienting the Co-operative Legislation and Policy to strengthen apolitical and autonomous character of co-operatives and to provide a positive level playing field to co-operatives to enable them to compete in the globalized market.

**Question 3:** Has the Government initiated any new measure since the KL Declaration to re-orient the co-operative Laws and Policies to uphold the autonomous and an apolitical character of co-operatives?

[Related Supplementary Questions at Annexure II – Q.8, Q.9]

Reply: The Para 44 Act, approved 2008, bans the state intervention in co-operatives' executive affairs. One of the provisions of the Para stresses on the necessity for ceding all holding roles of the government in co-operative affairs to higher-level co-operatives.

The Co-operative Law Amendment Bill which has been proposed to the Parliament in 2010 stresses on transparency of the state vis-à-vis co-operatives and bans the membership of political and high ranking state figures in co-operatives.

Call upon the Co-operative Movements to contribute effectively in the process of economic development, amongst others, by organizing small producers including farmers, workers and protecting consumers through self-help mode and also ensuring increased participation of women and youth in the co-operatives.

**Question 4:** Have co-operatives acted on the Declaration and taken steps to organise small farmers, consumers and workers through self-help mode to enable them to participate in the economic development process?

[Related Supplementary Questions at Annexure II – Q.17, Q.18, Q.21, Q.22]

Reply: Since 2006 the number of farmer co-operative members has tremendously increased; also the number of consumers' co-operative members has soared from 7.6 million to 7.9 million.

The formation of agricultural co-operatives, consumers' co-operatives, industrial and service co-operatives which have been further structured and organized through the establishment of provincial, and national co-operative unions, has all been aimed at increased participation of the grassroots in national economic development.

Provisions of the co-operative law of the Islamic Republic of Iran have allowed vulnerable group of farmers, consumers and producers to organize and form co-operatives to provide their needs through mobilization of small capital resources in the form of centralized co-operative societies. These groups are thus assisted by their own co-operatives to be actively engaged in competitive markets and provide the basic needs of their members with the lowest possible price. The purpose of these kinds of co-operatives is not merely to

gain benefit, but to serve consumers and producers as well as the community. The kinds of services they render, encourage people in general and vulnerable groups in particular to join existing co-operatives or to establish new ones. Presently, there are a number of successful consumers and producers co-operative in our country that each may serve as a sample for other countries to be visited for extension purposes. If further supported, these co-operatives will undoubtedly face the least economic problems caused by changes resulted from globalization process.

Exhort Co-operatives and Governments to strengthen management capacity, participatory governance and fair business relationship for ensuring healthy functioning of co-operative system through innovative strategies.

**Question 5:** What measures have been taken by Co-operatives/Government to develop innovative strategies for capacity-building of co-operatives and to establish fair business relationship in your country?

[Related Supplementary Questions at Annexure II – Q.16, Q.25, Q.32, Q.35, Q.37, Q.39]

Reply: According to Para 44 Constitutional Law, co-operatives are authorized to become active in key economic sectors like shipping, banking and insurance, railways, electricity plants, etc. In the process of privatization almost half of the shares of state holdings were ceded to the people of the 6 lower deciles who have been formed into co-operatives societies. A support package also is under consideration which includes tax encouragements and the like.

With the passing of the article 44 of the Constitutional Law into an independent act, new provisions have been secured in sectors like banking, insurance and mega co-operatives (nationwide, public venture, and Adalat (justice) shares co-operatives) through which more effective supports to the members of co-operatives involved in these sectors.

Considering the dynamic changes and trends emerging in the national economies, we also call upon the Co-operative Movements and the Governments in the region to periodically review the efficacy and effectiveness of Co-operative Legislation and Policy and introduce appropriate reforms.

**Question 6:** Has any review of the efficacy of co-operative law and policy been carried out as per the declaration of the 8th Co-operative Ministers' Con-

ference? If so, please furnish a summary of the review.

[Related Supplementary Questions at Annexure II – Q.1, Q.7, Q.9, Q.11, Q.13, Q.21, Q.29, Q.30, Q.31]

Reply: Since 2006 a number of studies have been carried out on the problems of co-operatives and how to improve their efficiency. The results and suggestions of these studies have been included in the executive policies on coops.

Recognizing co-operatives as an important and significant sector of the national economy effectively contributing to the development, we affirm our support for Co-operative Movement as a sustainable and efficient institution through:

1. Encouragement of co-operative entrepreneurship by inculcating entrepreneurial spirit and skills among the members, leaders and managers of the co-operatives through education and training.
2. Attainment of economy of scale and strategic business alliances among co-operatives both domestically and internationally.
3. Role clarity among different tiers to enhance impact of the Co-operative Movement.
4. Harnessing the gains of the fair globalization and liberalization for the benefit of members.

**Question 7:** Considering the support pledged to the co-operative movement in the 8th Conference to attain efficiency and sustainability through measures such as attainment of co-operative entrepreneurship, strategic alliances, and economy of scale with clear demarcation of roles assigned to each tier of the co-operative movement in order to harness the gains of globalisation. What concrete steps have been taken by Co-operatives/ Government since 2007 to realize these objectives?

[Related Supplementary Questions at Annexure II – Q.14, Q.15, Q.16, Q.19, Q.26, Q.36, Q.37, Q.38, Q.39]

Reply: 1. The Para 44 Act of the Constitutional Law emphasizes free-of-charge technical and vocational training of coop members and managers.

2. Government, with the approval of the Islamic Parliament, provides grants for improving co-operatives' efficiency.

3. Iranian National Federation of Co-operatives (Iranian Chamber of Co-operatives), for the first time enjoys government funds while remaining independent. The federation is represented at all levels of policy making.
4. Since 2008 the Law has provided possibilities for co-operatives in line with foreign investment.
5. The formation of specialized unions for co-operatives, in addition to the conventional ones, has been encouraged.
6. Merger of co-operatives is being encouraged in the co-operative bill which was submitted to the Islamic Parliament.

#### **SUB ANNEXURE-I**

Theme Based Questions on the Recommendations of the 8th ICA-AP Ministers' Conference

Clear Policy and Law on Co-operatives

**Question 1:** Has any review of government Policy and Law on co-operatives been carried out with participation of co-operatives clearly defining the roles of the Government, self-regulatory nature of co-operative functioning and authorising Apex co-operative organisations to regulate the primary societies in a manner conducive to their growth?

REPLY: In the Para 124 of the Fifth Development Plan (approved 2010) the Iranian National Federation of Co-operatives has been ceded with all government's responsibilities in line with coops. The bye-laws of para has been submitted to the Ministerial Council with the collaboration of the Ministry of Co-operatives, Labour and Social Welfare and the Iranian National Federation of Co-operatives. For the first time, so to speak, the affairs of many primary co-operatives have been ceded to the higher level co-operatives.

**Question 2:** Have the Government introduced support measures to diversify the activities of the co-operatives into innovative sectors like health, formal education and other public policy initiatives such as livelihood creation and security for the disadvantaged etc?

REPLY: In line with co-operatives which are involved in health, formal education as well as those affairs ceded to non-governmental sector, co-operatives enjoy priority. The rules and regulations provide no restrictions to co-operatives' investment, own-



ership, management and activity in economic sectors.

Actions taken by the government (via the Ministry of Co-operatives) in Health Sector involve setting up health and therapeutic co-operatives. In Education Sector the government has facilitated the establishment of educational-applied co-operatives as well as provision of degree courses on co-operatives. Also, there have been a number of revisions in curriculum at primary, guidance, and high school levels to incorporate co-operative and collective work themes.

### Political Neutrality

**Question 3:** What measures have been taken by co-operatives to ensure that the co-operatives are isolated from politics and are not used as political platforms and instead use their weight as an alternate socio-economic force lobbying for social economy?

REPLY: Unfortunately, no proper measure has been taken in this regard. Political bias is one of the weak points of higher-level co-operatives (coop chambers and unions). However, currently a bill is under consideration of the Parliament which suggest a ban to the involvement of state officials in the management of co-operative chambers and the Federation. In the event of this realized, one of the grounds for political suggestions will be eliminated.

### Drafting Co-operative Laws

**Question 4:** Has the Government acted on the recommendation that elements of tax laws and regulations should not be a part of the co-operative law which being 'organisation law' should cover management aspects of co-operatives following a general concept with autonomy and power to make bye-laws drafted in a language that an ordinary citizen could follow?

REPLY: Tax law, which also include provisions regarding co-operatives, is under reconsideration by the government. In the bill regarding the amendment of Co-operative Law, which is about to be handed over to the Parliament, the provisions on co-operatives have been deleted. The amendment of Co-operative Law aims at strengthening co-operative identity and values as well as being generally understandable.

Taxation law in Iran is entirely separated from that of co-operative sector. This is true to the extent that in the co-operative law of IRI, no reference has been made to taxation issues. However, in order to facili-

tate operation of co-operatives, some provisions have been made for tax exemptions in several cases- namely for instance, in clause 6 of Article 11 of the Law for Amendment of the Fourth National Socio- Economic and Cultural Plan; in the outline policies of Article 44; in Article 105 of the 1987 law for direct taxes and in the subsequent amendments and revisions. Also, the related bye-laws and statutes have provided co-operative societies with managerial autonomy and independence as far as formulation of objectives, subject of activities, area of activity, sources of income, and other managerial issues are concerned. Co-operatives' managers are thus enabled to follow voluntarily the worldwide principles of co-operatives through active participation of members in managing their own co-operatives. Also, co-operatives receive adequate supports to improve their quality management system.

### Contents of co-operative Law

**Question 5:** The 8th Ministers' Conference recommended provisions laying down a definition of co-operatives, criteria to determine a genuine co-operative society, rules against demutualisation, improved governance, a policy for registration of co-operatives, minimum requirement of capital, delinking management with ownership of co-operatives, pre-registration audit and membership, a minimum contents of bye-laws, etc. What actions have been taken on these recommendations?

REPLY: All the above issues have been provided in the Co-operative Law Amendment Bill which is about to be handed over to the Parliament. In 2010 the government submitted a comprehensive bill on co-operatives to the Parliament which was returned for reconsideration due to the opposition of a number of PMs. The Bill had illustrated all the points raised in the above question.

In line with the definition of a co-operative and the related criteria provisions have been laid down in the Iranian Co-operative Law. Also, the Para 44 of the Constitutional Law includes definitions of kinds of co-operative, shares, co-operative managers, monopolies, competitions, etc.

Ideal models have been already provided for distribution co-operatives (housing, consumers, and credit co-operatives). Also, factors that restrict demutualisation of co-operatives, for instance annulment of the granted concessions, are adequately addressed in the

laws. In order to reinforce good governance practices in co-operatives, some provisions are included in the amended laws. Bye-laws related to minimum capital and members, as well as statutes for housing, consumers, credit and job-securing co-operatives have already been revised, amended and communicated.

#### **Globalization and Co-operative Advantages**

**Question 6:** Following the recommendations of the 8th Conference, has your Government made efforts to adopt a proactive, pro-poor initiative, a high standard of co-operative governance more effective than corporate governance and active involvement of co-operatives in W.T.O. round of discussions to protect the interests of small producers and farmers?

REPLY: For political bias of the WTO members, Iran has not yet been able to accede to this organization. According to source laws of the nation i.e. the Para 44 Constitutional Law and the General Policies of the Para 44 which was proposed by the Supreme Leader as well as the Fifth National Development Plan, co-operatives' share of GDP shall be increased to 25 percent by 2015. This aims to empower low-income groups through fair income redistribution.

#### **Contradictions and dilemmas**

**Question 7:** The 8th Conference has thrown up certain issues, seemingly conflicting which need to be resolved such as balancing Government assistance with autonomy of co-operatives, engaging external directors to overcome deficiency in leadership in co-operatives, compensating co-operatives for extra (social) costs in implementing poverty alleviation programmes, exploring strategic partnership with private corporate sector, etc. Have your Government or organisation formulated their views on these issues?

REPLY: The first step has been to suggest passing of laws relating to the issues concerned in the question. The government, while supporting co-operatives through legal channels, stresses on the non-intervention of political and executive figures in the management of higher-level co-operatives. Also, some rules

have been passed on the specialization of co-operatives' management.

#### **SUB ANNEXURE II**

**(Not Repeated in subsequent replies)**

#### **EXPLANATORY / SUPPLEMENTARY QUESTIONS**

Questionnaire for Preparation of the Background Paper for the 9th Ministers' Conference in Feb- March 2012 on status of action on Resolutions and Recommendations of the 8th Ministers' Conference on Coop Legislation and Policy.

1. Since four years have passed after the 8th Ministers Conference on Co-operative Legislation and Policy and the global economy faced a crisis from 2007- 2008 and the economies of US and a number of EU countries are struggling till date to cope with economic slowdown and unemployment. What in brief has been your country's experience of multi-dimensional impact of globalisation such as the impact on trade amongst co-operatives within the country or outside?

Despite a large number of economic sanctions imposed on the country and although it is not yet a member of the WTO which has decreased the scope of interaction with the global economy, Iran has not received serious damages. On the contrary, it has, even in some cases, benefited from the recent global economic crisis which has improved chances for foreign investment.

Like other nations, economy of our country is interactively affected by global economy and thus, any financial crisis influences our producers and consumers as well. It is, therefore, imperative to improve and adjust national economic structure, and follow protectionism instead of emphasis on imports or intermediary business. This would help our producers have a better chance to grasp the opportunities that global economy creates during world wide crises. Co-operatives are an active sector of our national economy and thus the importers of the raw material-in particular those involved in industries like poultry farming- are drastically influenced by any raise in global prices. Co-operatives may thus receive greater supports for attraction of foreign investments or import of intermediary and raw materials in the times of recession or price drops.

**The first step has been to suggest passing of laws relating to the issues concerned in the question.**

2. Was the impact wholly benign or partly and if so what has been according to you the problem areas affecting the economy at present and their implications for the co-operatives in your country?

Please refer to the answer to the preceding question.

Global economic crisis has had trivial effects on economy of Iran and especially that of some co-operatives.

A global economic crisis has shown relative, and in some cases (e.g. imports) beneficial effects by making prices cheaper for commodities and services. However, it has affected negatively the exports.

3. Are the rural co-operatives especially those designed to serve the poorer segments being affected in any manner by these problems in post 2007 period?

No.

Since members of rural co-operatives are often from deprived groups of rural communities, these co-operatives tend to receive greater governmental supports and are thus less susceptible to problems resulted from changes in global economy. In order to empower and support these kinds of co-operatives on a sustainable basis, it is imperative to establish Globalization Financial Funds.

4. What has been "the multi-dimensional impact" as above on urban co-operatives particularly those operating in financial and other service related activities including those in housing, industrial or business credit and manufacturing and value addition activities?

During the recent years, (after 2007) housing co-operatives have been strongly persuaded in view of the expansive policy of the banking system. The performance of the other types of co-operative does not reflect any degeneration resulting from the global crisis. The government and the Central Bank have jointly run a plan to reduce 'outstanding debts' which has been successful to a large extent in confronting devastating impacts of the global crisis.

5. Is your country experiencing like a number of major economies in the region the phenom-

ena of jobless growth specially in the capital intensive organised sector? If so, what has been its spread-sectorwise and where is this most pronounced or observed and whether co-operatives operating in these sectors are in a position to address these issues?

Thanks to the government supports, a good deal of unemployment caused by human resource regulation has been prevented considerably. The coops with high capital sums do not appear to have problems in this regard.

6. Do you feel the need for any policy change in the light of the post 2007 experience with globalisation and if so what are these areas and specify the policy gaps and needs to bridge the same to create 'enabling policies' as recommended in the 8th Ministers Conference?

No.

7. Have you initiated any change or exercise already in your national policy on co-operatives and if so necessary policy documents may kindly be sent to ICA ROAP.

Regardless of the global crisis, which prompted the outcomes of the 8th Ministerial Conference, the Islamic Republic of Iran in its Constitutional Law has stipulated the Co-operative Sector as one of its strategic policies. In 2005, before the 8th Ministerial Conference, the General Policies of the Para 44 of the Constitutional Law was officially communicated by the Supreme Leader of the Islamic Republic of Iran in 11 paragraphs and was passed into act by the Parliament in 2008. A copy of the Act and its related documents are hereto attached.

8. Did you feed the need for 'a proactive legislation' by way of amendment to your existing co-operative law to deal with any of the multi-dimensional effects of globalisation and what are the gaps in law or procedures which warrant amendment or enactment of new laws?

Currently, Iranian co-operatives are run under two acts which are not in coordination with each other. The triple authorities under which the Iranian co-operatives operate are not in coordination with each other either. As a re-

sult co-operatives cannot be members to the same federation.

In addition, there are some ambiguities in line with co-operative identity, the scope of government intervention in bye-laws etc.

9. Have you acted on the recommendations of the 8th Ministers' Conference to review periodically within the government the effectiveness of Co-operative Policy and Legislation?

The Government, with the collaboration of the higher-level co-operatives (co-operative chambers and unions) has revised all rules and regulations, bye-laws and other legal sources and has compiled necessary suggestions.

10. If the answer of the Q.9 is in the affirmative please indicate the periodicity of the reviews and when such review was held last and outcome of review including the changes considered necessary and the problem areas identified if any?

The revision of the co-operative laws took place during the years 2006 to 2009 through continuous meetings and discussions which resulted in the Amendment Bill. There are also other bills which are about to be submitted to the Parliament.

11. Did you consider/examine and act upon the recommendations of the aforesaid conference to introduce appropriate reform in the policies and laws for co-operatives to enhance the impact and scope of the co-operatives in the era of globalisation and if so please indicate the specific reforms or changes and in the light of the recent trends of global economy and your country's experience do you think that your country should go on a "fast track" to introduce these reforms?

Part of the amendments is as the following:

The adumbration of the Government in boosting the co-operative GDP share to 25 per cent; increase support to co-operatives while staying away from any intervention; ceding co-operatives' affairs to the higher-level co-operatives; facilitating co-operatives' presence in key economic sectors; promoting merger among co-operatives to make them into extensive co-operative networks; foreign investment

facilitation in domestic co-operative activities; involving higher-level co-operatives in compiling rules and regulations; encouraging cooperation among co-operatives among domestic and foreign higher-level co-operatives.

The above-mentioned actions are in the process.

12. Do you feel that your co-operative laws and functional procedures still contain provisions which impinge on or stand in the way of 'apolitical' and autonomous character of co-operatives even after years of efforts by ICA and your government and if so please specify these provisions indicating reason why these provisions produce 'the effect' as aforesaid and what should be done to improve the level of 'a political' and autonomous character of co-operatives in your country?

The source laws [the General Policies on the paragraph 44 and the Fifth Development Plan] stress on the non-intervention of the Government in co-operative affairs. However, still there are some interventions which must be corrected. High-ranking state and political figures have been banned from co-operative membership. Also, necessary provisions have been made in line with the independence of co-operatives.

13. What steps have been taken to implement the recommendations of the 8th Ministers' Conference to promote cooperation among co-operatives through 'strategic' business alliances both domestically and internationally?

Existing co-operative laws encourage formation of co-operative unions (secondary and tertiary level co-operative organizations at regional and national levels) through governmental supports in the form of both financial and non-financial incentives.

The apex body of co-operatives in Iran is called Chamber of Co-operatives that any co-operative union can join it as member. Chamber of Co-operatives is strongly supported by national economic Acts. This is true to the extent that it is allowed to conclude and sign- as do Chamber of Commerce, Industries and Mines-economic agreements in other countries and may well provide and facilitate the conditions

- for relationship and cooperation among Iranian co-operatives and co-operatives in other countries.
- 13(a) Could you please give some specific instances or case studies if any of such inter co-operative alliance to meet common business or social goals in your country?
- Maskan-e-Mehr National Co-operative Union is currently running a huge national housing project that will soon enable over 1.5 million members of housing co-operative to have their own houses.
- In order to develop foreign transactions and exportation by co-operatives, Central Chambers of Co-operatives, along with regional chambers of co-operatives in Iran has sent different commercial missions comprised of a group of Iranian co-operatives to several countries including Iraq, Armenia, Azerbaijan, Turkmenistan, Germany, etc.
- Aimed at facilitation of activities by domestic co-operatives, Iranian Chamber of Co-operatives has initiated to establish "co-operative commercial centers" in some countries. Also, exclusive fairs and exhibitions have been organized in many other countries to introduce and offer products of Iranian coops.
- All together, the above-mentioned activities have resulted in a considerable increase in exportation of Iranian co-operatives' products over the past few years. Annual average exports by domestic co-operatives that was about 600 million dollars in 2000-2004, exceeded 900 million in 2005-2009 and above 1 billion in 2010.
- 13(b) What is your perception of such strategic business alliances in domestic economy and the activity focus of such alliances and in the same sense what has been your experience or effort towards foreign strategic alliances involving domestic and foreign co-operatives or co-operative federations?
- Focus on housing for homeless groups of people.
- Focus on exportation of products produced by co-operatives, especially in agriculture sector.
- Focus on production and exportation of handicrafts and hand-woven carpets.
14. What according to you are the promising areas of such strategic alliances - in commodity market? What according to you are the prospects of strategic alliances amongst primary co-operatives in villages sharing both sides of an international border and areas sharing a common resource which could be the basis of fair trade either as commodities or value added products based on an agreed production programme of value addition?
- Handicrafts.
- Hand-woven carpets.
- Horticultural produce including pistachio, tea, saffron, some kinds of fruits.
- Industrial products derived from natural oil, gas and petro-chemistry.
15. Since globalisation is founded on a fiercely competitive market place, the aforesaid conference underscored the imperative need in the co-operative sector to build their capacity to compete by raising *inter alia* management capacity of the co-operatives. What have been the concrete steps taken by your government in this matter? Please specify if special courses of training of co-operative managers were organised in pursuance of these recommendations and whether in your opinion such training and exposure have improved the managerial capacity of core management staff of the co-operatives?
- Codifying and communicating those standards or criteria which need to be technically met by members of Board of Directors and managing-directors of co-operatives.
  - Making supports of co-operatives appropriate with their managerial competencies or capabilities.
  - Organizing free-or-charge training courses for co-operatives' managers (about 6 million man/hours during a 5-year period).
  - Granting specific financial assistance to co-operatives to receive ISOs on management quality and commodity quality.
16. A suggestion related to Q.15 was to launch efforts to inculcate entrepreneurial skills and spirit among the members through 'innova-

tive strategies'. Have you taken steps to evolve such a strategy and if so, what are the main elements of these innovative strategies and specifically in what special way are these strategies innovative and what have they achieved or contributed towards growth of the spirit and skills of entrepreneurship? Could you please give some concrete instances of 'skill enhancement'?

The Co-operative Entrepreneurship and Development Centres which have been launched in universities and other formal academic institutions are the boldest step recently taken in order for university students and faculty members. Therein, these people are provided with essential knowledge on business as well as on merits of co-operative action through which entrepreneurship can yield much more achievement. The skills are about how to draw up a business plan, basics of business administration, practical ways of mobilizing capital, rules and regulations, etc.

17. Have you acted on the suggestion to show case the contribution of strong and vibrant co-operatives in building national economy to generate a ripple or multiplier effect? If your answer to the question is yes, please indicate the better performing sectors and name the societies and the manner and form in which the ripple effect was generated and if a formal case study was carried out and the results published? If so a copy of the report may be furnished so to ICA ROAP.

Maskan-e-Mehr Large Co-operatives

Pishgaman-e-Kavir-e Yazd Co-operative

Rafsanjan Industrial Complex Co-operative

Samen-ol-Aemmeh Credit Co-operative

Adequate measures have been taken to encourage co-operative sector for participation and investment in large national projects like petrochemical industries through concluding MOUs with the concerned organizations. These efforts will help to put into practice the provisions envisaged in Para 3 of Article 12 and the Clause 3 of Article 3 of the Law for enactment of outline policies stipulated in Article 44 of the Constitution.

18. Since its inception, ICA has been emphasising the advantages of co-operatives in building social harmony and national economy and responding to this advocacy, the governments of the members nations have been extending support to the co-operatives in different forms such as financial assistance, managerial support and tax benefits to promote employment, income generation, social equity and justice.

What is the current position of such 'support package' for co-operatives? Please give details.

All co-operative societies and unions, namely for instance, agricultural, rural, tribal, workers, employees and student co-operatives are absolutely exempted from "income taxes".

Other forms of co-operatives are liable to 25% tax rebate.

Houses constructed by housing co-operatives are transferred to the owner members, on a tax-free basis.

Legal reserves of co-operatives are liable to tax-exemption law and are not considered as co-operative incomes.

The supportive share that co-operative societies receive from government is 20% greater than that of private sector enterprises.

Thirty per cent of revenue from Privatization Plan (selling shares of state companies to people) is allocated to those co-operatives that 70% of their members come from three lower income deciles when establishment of the co-operative.

Co-operatives receive training freely for productivity increase and skill-training purposes.

Various types of co-operatives are readily provided with supportive credit lines, and co-operative societies thus have easier access to bank facilities as compared to non-co-operative enterprises.

Specific budget items are provisioned in National Annual Budget Laws to ensure financial support of co-operatives.

Some types of co-operatives receive 20% rebate for employer share insurance premium.

Co-operatives are exempted from stamp duties for stock and pay only 1.2 of the fee for registration notice in gazettes.

19. The distinct character of the co-operatives being 'private self help organisations'; the 8th Ministers' Conference suggested that the policy on co-operatives should allow co-operatives to work in all fields of human endeavour. In this background please indicate the spread of co-operatives in different fields in your country and sector wise.

As provided by laws after 2008, co-operatives are allowed to involve in all economic activities that are authorized for investment, ownership and management by private enterprises or companies.

Co-operatives are authorized to involve or participate in any major economic activity such as large industries, shipping, railways, power plants, broad-based water supply networks, banking, telecommunications, airlines and the like.

Co-operatives are given priority in some activities like formal training and education, healthcare and treatment, governmental administrative take overs, etc. Co-operatives are currently involved in a majority of diversified economic activities.

20. Since the aforesaid Conference, was there any positive development in Policy on Co-operatives defining more clearly the role of the government vis-a-vis the co-operatives and that of the apex co-operative institutions vis-a-vis primary co-operatives as regulator or guide and not as controller?

In the amendment of Co-operative Law, positive changes in policies have been made toward this end.

At present, the role of co-operative apex organizations is not limited to control function, but they mostly play directing and guiding roles.

21. In pursuance of the recommendations of aforesaid Conference, has the government introduced support measures for co-operatives

engaged in activities such as livelihood security for the disadvantaged in the form of tax benefits, soft loans, access to public works programme and special procurement provisions? If so, could these measures now in force be specified?

No, however, the government has always had on the agenda raising public awareness on the importance of co-operatives as safe and direct channels of livelihood procurement. Loans have always been a traditional part of the formation of co-operatives which play an important part in people's daily life.

22. A kind of 'watchdog' role was envisaged for co-operatives in assessing the globalisation process which was also implicit in another recommendation to ensure participation of co-operatives in WTO round of discussions to protect the interest of small producers, farmers and consumers. In this backdrop, please indicate if any co-operative or apex co-operative organisation has been able to go deep into the issues arising out of globalisation in your country or whether the co-operatives were involved either directly or indirectly or their views taken into account in WTO deliberations especially on issues such as export subsidy, domestic support trade related intellectual property rights, sanitary and to sanitary measures etc?

The fact is that because Iran's accession to the WTO has not been realized yet the impacts of globalization have been negligent for the nation. Therefore, Iranian small and medium businesses, including co-operatives, are usually dealing more with typical problems to developing countries such as poor human resource mobilization, low efficiency, credentialism, etc. than with globalization aftermaths. However, Iran's high-level co-operative movement institutions such as the Iranian Chamber of Co-operatives and the Government co-operative

**Some types of co-operatives receive 20% rebate for employer share insurance premium.**

- authority- the Ministry of Co-operatives- have constantly been aligned with the ambitions of the global co-operative movement, having a voice in co-operatives' adamantness for minimizing intensive impacts of capitalist crises in various ways.
23. Have co-operatives in your country been able to diversify into innovative sectors like infrastructure building, service industry disaster mitigation and preparedness, formal schooling, education and healthcare as recommended by the 8th Conference and if so what are the sectors the co-operatives could enter with beneficial effect in the society?
- Prior to the passing of Para 44 Act co-operatives were only banned from activity in key economic sectors like ship building, insurance and banking, etc. Iranian co-operatives have also been functioning in formal schooling, education and healthcare.
24. The aforesaid Conference declared emphatically that the co-operatives should be delinked from politics and not to be used as instruments for implementation of political programmes or as a stepping stone for pursuit of political careers. Has your government set up any mechanism backed up by law to ensure political neutrality of co-operatives?
- In the current rules and regulations there is no emphasis on the apolitical nature of co-operatives. However, the Co-operative Law Amendment Bill stresses on that the membership of high-ranking state figures in co-operatives is forbidden.
25. Co-operatives are viewed as not just business organisations but an 'alternative economic force' to lobby for favourable legal, economic and social framework conditions for the sector called social economy. Keeping in view this perspective of the aforesaid Conference, have the co-operatives been able to function as a lobby as envisaged or making any progress to this direction?
- In line with housing, co-operatives have demonstrated a highly successful performance; however, in other sectors their achievements have been relative.
26. Since co-operative laws is essentially 'organisation law' the conference felt that it should rather deal with formation, membership, management and issues pertaining to co-operatives and not burdened with elements of tax law and regulations. Are the co-operatives laws in your country in conformity with this idea and whether there is one common co-operative law based on a common concept or several laws for different types of co-operatives?
- The Iranian Co-operative Law is accorded with the approach of the 8th Ministerial Conference in line with being specific on co-operatives and deregulation in terms of co-operative formation, membership, qualification of managers, administration, etc. co-operatives are currently run on the basis of two main laws i.e. Iranian Co-operative Law and Paragraph 44 of the Constitutional Law. It should be mentioned that the Iranian Co-operative Law is being amended whereafter all co-operatives will be run according to one single law.
27. Expressing its deep concern for autonomy for the co-operatives, the life blood of co-operative movement, the conference recommended a balancing mechanism between regulation and autonomy which should leave bye-laws to the co-operatives to meet local requirements and "regulation" aiming not at "control" but for ensuring protection of rights of members and special character of co-operatives and interest of the general public. Seen from this angle, are the laws, Regulations and Procedures of your country in conformity with this broad consensus?
- In the current co-operative rules and regulations, government is in charge of drawing up bye-laws and circulars. However, rules and regulations are to be revised intensely in such a way that such essential features of co-operatives as independence should be made expressively salient. Also, the Fifth National Development Plan (approved 2010) requires that governance affairs be separated from holding responsibilities to prevent any intervention. To accomplish this, higher-level co-operatives have been authorized to run related coop affairs on their own. This provision, however, is in process and not finalized yet.



28. Stressing the need for the simple construction of co-operative laws avoiding complex and technical language as it should be comprehensible to ordinary citizen and co-operative, the conference suggested that those who draft co-operative laws should work in collaboration with specialists from the co-operative movement and draft laws in a participatory manner. Has this suggestion been put to practice?
- Yes, absolutely.
29. As regards contents of co-operative law, the conference suggested provisions with a clear definition of co-operatives, criteria to determine a genuine co-operative society, policy for registration of co-operatives, minimum requirement of capital, pre registration audit, membership rights and obligations, acquisition and termination, etc. What progress has been made in this direction so far?
- All the issues inquired about in this question have been provided in the Iranian Co-operative Law Amendment Bill.
- All items proposed in the Conference, are adequately provided in the Co-operative Law and in all bye-laws, statutes, circulars and procedures that law deems necessary for co-operative societies. Also, some suggested items, including formation of unions and co-operatives, means of funding, and support of co-operatives formed by vulnerable strata are well addressed in the Law for enactment of outline policies of Article 44. The existing Co-operative Law has also been revised and amended after pathological studies and is now under discussion in the Islamic Consultative Assembly for final approval. Laws and rules have been drawn-up in full-fledged co-operation and participation by co-operatives unions and Chamber of Co-operatives.
30. The conference stressed that co-operative laws should define minimum contents of bye-laws which are to be so framed as to protect the autonomy of the co-operatives and to restrict their functioning. Has this suggestion been implemented?
- In the Amendment Bill, this has been provided.
31. The conference emphasised the need for improved governance under a legal regime ensuring fair election, election of trustworthy leaders, transparency, accountability and good governance practices and delinking management from ownership to promote professionalism, audit and participation of women.. What is the current status of implementation of these recommendations?
- In these respects, there have been provided almost transparent rules and regulations. Also, in the Amendment Bill, they have been elucidated further.
32. The Conference viewed strongly the need for Rules against demutualisation and transformation of co-operatives into companies and recommended a quorum of two thirds of all members present and voting and with a two-third majority for taking any decision on such proposals. Have the co-operative laws and rules been amended to incorporate these suggestions?
- In neither the current co-operative rules and regulations nor the suggested Amendment Bill are basically any paragraphs or notes on "demutualisation" provided.
33. The Conference recommended a strong pro poor orientation in the functioning of co-operatives for protection of livelihood security of the people engaged in informal sector in particular. Have the co-operatives adopted this as a part of their agenda?
- Home-based Business Regulation Act, which partly includes informal employment, is one of the acts which were passed in 2009. The Act aims to regulate home-based businesses on a co-operative basis. Within one year over 1000 co-operatives of this kind were formed. Co-operatives which take formal guilds of the country as members often treat the same with informal guilds.
34. On co-operatives participation in poverty alleviation programmes, the conference also felt that it entails some (social) cost to be borne by members and these are 'non profit making activities being in the nature of "capacity building of the poor'. By implication, the government has to incentivise such co-operatives. Has any

substantial step been taken in this vital matter to provide incentives to co-operatives?

One of the acts passed by the Parliament during 2008, provides for a type of co-operative in which at least 70 per cent of members should come from the three lowest deciles. The law also provides that part of the share capital should be secured by the government.

35. Training or promoters of co-operatives and strategic partnership between co-operatives and private sector have also been underscored. Have the Government taken any initiative to implement these suggestions?

For years co-operative founding members have been instructed free-of-charge. Training programmes have been ceded to the higher-level co-operatives. Private and co-operative sectors enjoy a level of coordination and participation. Basically, in Iran the three sectors of governmental, co-operative and private are not competing with each other but complementary.

36. Affordable health cover for all specially in rural areas has been the objective of many member countries and various initiatives have been taken to extend health cover to the citizens directly by state-agencies and indirectly by promoting medical and health sector in most countries, though there is enormous scope in the use of co-operatives as a mode of delivery of affordable healthcare especially for running of hospital and related facilities. In this background of the overall poor health situation in most member countries of Asia and Pacific region, do you consider it necessary to formulate a special policy to promote a package of services covering health, family welfare, women and child health and nutrition by sup-

porting formulation of co-operatives to take up these functions and what are your specific suggestions in this regard?

Such activities in Iran are carried out either by the government or through co-operative means. The general policy of the nation is that "co-operatives" are support net to vulnerable income groups. The health package service is obviously a good one.

37. Since in many member countries, fishing is the basis of livelihood of thousands of families of fishermen and a number of state laws enacted over the years encourage and promote fishing by fisheries co-operative societies comprising of countries traditionally involved in fishing, it is considered that special steps are necessary in member countries endowed with this resource to protect the livelihood of poor fisherman by providing a package of legal, financial, management and marketing support. This has assumed urgency in view of spread of deep sea fishing by trawlers engaged by large corporates to reducing drastically in some cases the areas accessible to traditional fisherman by using small country or power boats. Would you in this situation recommend a special policy package for promotion of co-operatives not only for capturing fish but also for processing of fish on co-operative basis?

Fishing co-operatives are one of the co-operative types in Iran. They are active at north and south waters of the nation. Supports rendered to these co-operatives have been dispersed. The package idea is a very good one which is hoped to be followed in Iran

The proposed supportive package may include following items:

- Fishing must be legally included in hard and harmful-for-body jobs.
- Regarding the low income of fishermen, at least 70% of their social insurance must be covered by state funds.
- Providing fishermen with long-term, low-interest loans.
- Developing scientific-applied training courses for fishing community.

**The general policy of the nation is that "co-operatives" are support net to vulnerable income groups. The health package service is obviously a good one.**

- Organizing managerial training courses for directors/managers of fishermen co-operatives.
- Developing training courses on how to use fishing equipment and preserve aquatic resources and reserves.
- Assisting fishermen co-operatives in creating outcry markets and industries for processing and packaging purposes.
- Transferring fishing ports to fishermen co-operatives after completion of co-operatives' empowerment projects.
- Providing supports for marketing and exporting fishery products.
- Helping fishermen to increase their income levels through generating secondary jobs in fishing grounds.

38. Though Housing especially urban housing has been a traditional area for the co-operatives comprising of members who are willing to pool their resources to develop group housing and many member countries have enacted laws and framed policies to facilitate growth of co-operatives in the housing sector and offered concessional terms of lending to housing co-operatives by banks, yet there are many taxes payable for services or even acquisition of titles by individual members. Do you feel it necessary to formulate a special policy to promote housing co-operatives on a stronger footing to deal with urban homelessness, destitution and even the incidents of rural houselessness accrued in some areas? What is the status of law and policy in your country in regard to co-operative housing? What measures should be taken to prevent misuse of unreasonable membership of housing co-operatives for speculative personal gain?

Housing co-operatives which have villagers, workers and university students in membership, are exempt from income tax and property transfer tax if it is transferred to members. Experience shows whenever government has meant to reach the vulnerable through co-operatives, co-operatives have expanded with the vulnerable groups benefiting from this. Most of the administrations in Iran have been in support of housing co-operatives. Currently

co-operatives in Iran are involved in a huge housing project (1.5 million units) for those who do not have houses of their own.

The government has provided special credit and subsidies to this project plus ceding some governmental lands.

Housing co-operatives (in particular those involved in Maskan-e-Mehr) receive low-interest loans and governmental facilities for infra-structural purposes. In order to minimize misuses by individuals, it is imperative to develop bye-laws and articles of associations in a manner that may well clarify relationships among co-operative members and directors and provide for practicing appropriate controls.

- For the purpose of capacity-building in co-operatives and establishing equitable business relationships, MOU number 1-9679 dated 5 May, 2010 valid for three years, was concluded between related parties including Presidential Department for Scientific – Technological Affairs, National Elites Foundation, the former Ministry of Co-operatives, and Co-operative Development Bank (Bank-e Tose-e-ye Taavon) so as to support and empower knowledge-based co-operatives to develop cooperation culture among elites and learned academicians across the country. Since conclusion date, 90 knowledge – based co-operative projects have been received from different provinces of which 9 have been sent to Co-operative Development Bank for funding purposes and the rest have been sent to Foundation-based specialized centers for technical approval.

Knowledge-Based Co-operatives by Province

No.	Province	Number of co-operatives formed
1	West Azerbaijan	9
2	Bushehr	12
3	Tehran	15
4	Chaharmahal-Bakhtiari	1
5	Southern Khorasan	3
6	Khorasan-e-Razavi	3
7	Northern Khorasan	5
8	Khuzestan	3

9	Kerman	8
10	Zanjan	2
11	Kohgiloye-Boyerahmad	3
12	Kermanshah	2
13	Golestan	17
14	Yazd	7
	Total	90

39. In the context of the climate change and the challenge to mitigate its effect on environment and livelihood support systems, conservation of forests has acquired a very critical importance in the global agenda as embodied in resolutions passed in post Rio period. It is imperative in this effort to emphasize the role of the communities traditionally dwelling in the forest or in the lands on proximity of forests as stakeholders and partners in conservation and environment of forest and wildlife hence, co-operatives, because of their orientation to equity and grassroots level functioning are ideal for taking up activities in the forestry sector particularly in areas of forest protection, equitable and appropriate use of minor forest produce and regeneration and maintenance of forest species.

A mechanism known as Joint Forest Management in India based on sharing functions jointly by the State and communities living in the forest all in its vicinity successfully yielded rich benefits could be the basis activity focus of introducing co-operatives in the forestry sector. Do you feel that there is scope for this initiative in your country by suitable and supportive measures to encourage the growth of co-operatives, in not only in conservation but also for gainful use of minor forest produce by such co-operatives for livelihood security of forest dwellers? Would your country's forest laws and regulations allow growth of co-operatives in forestry or take up activities related to forest resource?

In Iran, forest dwellers' co-operatives have been formed and activated.

In order to preserve forest resources, it is important to organize as beneficiaries or users, those people who live in forests and the surround-

ing areas. This must be done through popular and co-operative societies. This is because such a measure needs extension activities and extension work can be facilitated in the form of co-operative organization. It must be remembered that forest resources are a national asset that hurts all people in a community in case of being damaged. Those co-operatives that are involved in afforestation and utilization of forest resources can better use forest produce through a preservation strategy that is naturally supervised by a governmental agency at the top. As a preventive action, the government must provide marginal-dwellers with the fuel they need. In order to minimize pressure on forests, the government must support secondary industries as a source for generating jobs and incomes for forest-dwellers in the form of co-operatives. Those forestation and forest resource preservation co-operatives that show active participation in development of forests and rangelands have to receive appropriate rewards as well.

High number of forestation and forest resource preservation co-operatives across the country proves that they are supported by enabling laws and rules. A pathological study is thus needed to be conducted on the performance of forest co-operatives to show that whether or not the existing laws need to be revised or amended for being compatible with the development of forest co-operatives. It should be mentioned that through cultivation of fruit-bearing trees like olives, walnuts, ... in large numbers in sloping lands, co-operative societies under the title of "Tooba" project, have greatly helped development of tree-lined areas throughout the country by preservation of water and soil resources and protection of the environment.

## 2. National Co-operative Union of India

9th ICA-AP Co-operative Ministers' Conference, Bangkok, Thailand

QUESTIONNAIRE FOR PARTICIPANTS OF THE 8th ICA-AP CO-OPERATIVE MINISTERS' CONFERENCE HELD AT KUALA LUMPUR IN 2007

**INTRODUCTION:** The 8th ICA-AP Ministers' Conference in Kuala Lumpur made six major recommenda-

tions under following heads for consideration and adoption at the level of the governments and co-operatives to carry out reforms in co-operative Policies and Laws to enable the co-operatives to adapt with the changing global scenario and to work in all fields of human endeavour. Please indicate actions taken on these recommendations in your replies to the questions placed below. To facilitate your replies, a set of supplementary questions are also placed which are explanatory in nature. Kindly send your replies at savitrisingh@icarop.coop by 31 October, 2011.

Please find the questions corresponding to the relevant provisions of the Kuala Lumpur Declaration.

Noting the multi-dimensional impact of globalization on socio-economic life of the people of Asia and Pacific and their institutions particularly co-operatives;

Taking note that while globalization and liberalisation of national economies has resulted in enhanced economic growth and prosperity, its gains have not been equitably distributed among the people particularly the poor and more vulnerable sections of the community;

**Question 1:** What is your perception and experience of multi-dimensional impact of globalization in your country and how your organisations coped with the same and particularly the adverse impact on the vulnerable sections of the population?

[Related Supplementary Questions at Annexure II – Q.1, Q.2, Q.3, Q.4, Q.5]

Reply: The impact has been in the financial sector reforms, freeing the economy from governmental control and regulations, free market, investment scenario has brightened, growth rate has been accelerated in all sectors, barring agriculture, and particularly the service sector has got a big boost. Employment situation has also improved. As a result of post liberalisation reforms, India has emerged as the second fastest growing economies of the world.

In spite of all these developments and launching of Bharat Nirman Schemes, the fruits of developments have not reached to the vulnerable sections of the community and the gap between the rich and the poor has rather widened. There has been increase in the population which is below poverty line. Conflict figures in this regard are being given. The government is in the process of introducing "Right to Food Security Act". There has been a spurt in food grains

prices hitting poor the most.

Co-operatives have emerged stronger although there has been impact of global policies on them. Economic slow down in the world had impact on trade, as the exports of Amul, NAFED were affected to some extent, but still the economic condition of Indian co-operatives was better than the co-operatives in developed nations where slow down had much larger impact. In order to withstand the competition, the co-operatives are progressively working to improve their competency, induct technology, introduce innovations and professionalisation and above all ensure inclusive growth.

Appreciating the urge of co-operative movement to participate in the developmental process for harnessing the gains of globalization and for taking them to people for poverty reduction, employment generation and equitable national development;

**Question 2:** What have been the gains of globalization enabling co-operatives to help poverty reduction or employment generation?

[Related Supplementary Questions at Annexure II – SAME AS ABOVE]

Reply: Co-operatives are countervailing power, reduce inequalities of income and ensure all inclusive development. The globalization enabled co-operatives in India to diversify in new areas of activities like insurance, irrigation, etc. Due to diversification, the employment opportunities increased which led to poverty reduction.

Co-operatives have been part and parcel of developmental process and because of their coverage and range of activities performed by them for the farming community and other vulnerable sections of the community like handloom weavers, fishermen, poultry and dairy farmers, etc., the impact of their work has been widely felt. They have proliferated from agriculture to manufacturing and service sectors. Because of their very presence, there is salutary effect on the market. Farmers have been getting better prices of their produce and other services and vulnerable sections employment opportunities.

With diversification in the activities of co-operatives due to increased competition, new vistas for direct and indirect employment in the form of self employment or employment in subsidiary occupations have been opened. All this has effect in increase in the in-

come, purchasing power and demand of goods and services. Thus, there is heightened economic activity, particularly in the rural areas.

Realizing the importance of enabling co-operative legislation and policies for creating conducive environment for development of co-operatives;

Appreciating the role of ICA to continuously facilitating the dialogue between the co-operatives and the governments to enhance the role of the co-operatives for economic growth and prosperity in the region;

We the participants of the 8th Ministers' Conference on "Co-operative Legislation and Policy" held in Kuala Lumpur, Malaysia from 12-15 March 2007:

Urge upon the Governments to catalyze the process of reorienting the Co-operative Legislation and Policy to strengthen apolitical and autonomous character of co-operatives and to provide a positive level playing field to co-operatives to enable them to compete in the globalized market.

**Question 3:** Has the Government initiated any new measure since the KL Declaration to reorient the co-operative Laws and Policies to uphold the autonomous and an apolitical character of co-operatives?

[Related Supplementary Questions at Annexure II – Q.8, Q.9]

Reply: In India, Government of India have initiated many steps / measures to re-orient the co-operative Laws and Policies to uphold the autonomous and apolitical character of co-operatives. They are enumerated below:

- (i) Declaration of National Co-operative Policy and its implementation with a view to make co-operatives vibrant economic entities.
- (ii) Setting up of a High Powered Committee by Government of India to review the achievement of co-operatives during the last 100 years, identify the challenges being faced by the co-operative sector to suggest measures to address them and frame an appropriate policy and legislative framework to ensure democratic, autonomous and professional functioning of co-operatives, amendment to the Multi-State Co-operative Societies Act 2002 and prepare a road map for co-operatives over the coming years and implementation of its recommendations to make co-operatives

the appropriate model of development in the changed economic scenario.

- (iii) Introduction of Constitution Amendment Bill in Parliament to make co-operatives free and autonomous institutions free from government control. Conduct of regular elections has been made mandatory. The other provisions suggested are : (a) maximum number of Directors of a co-operative should not exceed 21, reservation of one seat for SC/ST and two seats for women, (b) the terms of office of the elected members shall be five years, (c) the co-opted member in a society shall not exceed two and they shall not have the right to vote, (d) the election of the Board shall be conducted before the expiry of the term of the existing Board, (e) no Board shall be superseded or kept under suspension for a period exceeding six months and Board of any co-operative society shall not be superseded or kept under suspension where there is no government shareholding. The Bill is awaiting approval.

- (iv) Introduction of amendment to the Multi – State Co-operative Societies Act, 2002 in Parliament. Many of the provisions of the proposed bill impinge upon the basic freedom, rights of the members / co-operatives and therefore under the banner of NCUI, co-operatives have expressed their reservations to the Government and requested them to take into account their views before arriving at the passage of the Bill.

- (v) Introduction of Direct Tax Code Bill and withdrawal of income tax concessions, levy of GST, VAT, etc. on co-operatives. Co-operatives have expressed their reservations and pleaded for restoration of tax concessions. Prior to 2006, co-operatives were afforded certain tax concession which have been withdrawn, whereas Companies continue to get tax concession; co-operatives have been debarred and, therefore, co-operatives are pleading for a level playing field as surplus generated by co-operatives, if any, is utilized for strengthening their fund to provide essential services to their members and not for earning profit like companies.

Call upon the Co-operative Movements to contribute effectively in the process of eco-

conomic development, amongst others, by organizing small producers including farmers, workers and protecting consumers through self-help mode and also ensuring increased participation of women and youth in the co-operatives.

**Question 4:** Have co-operatives acted on the Declaration and taken steps to organise small farmers, consumers and workers through self-help mode to enable them to participate in the economic development process?

[Related Supplementary Questions at Annexure II – Q.17, Q.18, Q.21, Q.22]

Reply: Co-operatives in India have been effectively contributing in the development process and organising and bringing small producers, workers, consumers, vulnerable sections like handloom weavers, fishermen, dairy and poultry farmers, women, other socially disadvantaged people in their fold. As a matter of fact, bulk of co-operatives in India belongs to them. Under the umbrella of Co-operatives, self help groups are also being formed to organise small savings and set up businesses.

This is a step towards their empowerment. A large number of such groups have been formed and NABARD estimates that there are 2.2 million SHGs in India, representing 33 million members, which have taken loans from banks under its linkage programme. More than 5000 of such groups have been also formed under the Co-operative Education Field Projects run by NCUI. Such groups are being financed by all types of banks including co-operatives. At NCUI level, more than 200 SHGs have been converted into co-operatives under the NCUI Educational Field Projects which have led to poverty reduction to an extent.

Exhort Co-operatives and Governments to strengthen management capacity, participatory governance and fair business relationship for ensuring healthy functioning of co-operative system through innovative strategies.

**Question 5:** What measures have been taken by Co-operatives/Government to develop innovative strategies for capacity building of co-operatives and to establish fair business relationship in your country?

[Related Supplementary Questions at Annexure II – Q.16, Q.25, Q.32, Q.35, Q.37, Q.39]

Reply: Co-operatives and governments are taking various measures to develop innovative strategies for capacity building and establishment of fair business relationship. NCUI is the apex body, basically to look after training and education, through its countrywide network. Various measures taken are listed below:

- (i) Introduction of need based and innovative programmes. Launch of MBA in agri-business, insurance and finance, etc.
- (ii) Training of youth in agri-businesses to enable them to start their own enterprise.
- (iii) Introduction of ICT.
- (iv) Stress on training of grassroot level co-operatives for various innovative income generating activities like handloom & handicrafts, animal husbandry, farm diversification, etc.
- (v) Increasing involvement of youth towards Co-operative Model of Development by organizing debates, quiz, etc. on co-operative for the school/college/university level. As a sequel to this, NCUI has embarked upon a plan of sensitizing the youth on co-operative model of development, enthused them with co-operative values and principles, draw them to the mainstream of national development and equip them with entrepreneurial skills, a dialogue has been established with Nehru Yuva Kendra (A Body of Government of India, Ministry of Youth Affairs) and Kendriya Vidyalaya Sangathan (A Body of Central Schools all over India) to take up focused programme for their future career development in co-operatives.
- (vi) Launch of Coop Connect Forum as a meeting guard for practitioners of co-operatives and propagation of new ideas into practice.
- (vii) Sensitization of school leaders, teachers and students about co-operatives and co-operative model of development.
- (viii) Study of Fair Practices and their proliferation amongst co-operatives.

Also, the Government through its scheme has encouraged co-operatives to come up with innovative programmes for the country's socio-economic development.

Considering the dynamic changes and trends emerging in the national economies, we also

call upon the Co-operative Movements and the Governments in the region to periodically review the efficacy and effectiveness of Co-operative Legislation and Policy and introduce appropriate reforms.

**Question 6:** Has any review of the efficacy of co-operative law and policy been carried out as per the declaration of the 8th Co-operative Ministers' Conference? If so, please furnish a summary of the review.

[Related Supplementary Questions at Annexure II – Q.1, Q.7, Q.9, Q.11, Q.13, Q.21, Q.29, Q.30, Q.31]

Reply: A thorough review of the policy and co-operative law has been carried out and as a follow up necessary steps have been taken / are being taken up as explained in the preceding paragraphs vide Q./A. 3.

Recognizing co-operatives as an important and significant sector of the national economy effectively contributing to the development, we affirm our support for Co-operative Movement as a sustainable and efficient institution through:

5. Encouragement of co-operative entrepreneurship by inculcating entrepreneurial spirit and skills among the members, leaders and managers of the co-operatives through education and training.
6. Attainment of economy of scale and strategic business alliances among co-operatives both domestically and internationally.
7. Role of clarity among different tiers to enhance impact of the Co-operative Movement.
8. Harnessing the gains of the fair globalization and liberalization for the benefit of members.

Question 7: Considering the support pledged to the co-operative movement in the 8th Conference to at-

tain efficiency and sustainability through measures such as attainment of co-operative entrepreneurship, strategic alliances, and economy of scale with clear demarcation of roles assigned to each tier of the co-operative movement in order to harness the gains of globalisation. What concrete steps have been taken by Co-operatives/ Government since 2007 to realize these objectives?

[Related Supplementary Questions at Annexure II – Q.14, Q.15, Q.16, Q.19, Q.26, Q.36, Q.37, Q.38, Q.39]

Reply: It is a continuous process. Many steps have been taken in the past and many more are in the offing. NCUI and its affiliates i.e. State Co-operative Unions, National Council for Co-operative Training, National Centre for Co-operative Education, Junior Training Centres are devoted to the cause of development of co-operative entrepreneurship in association with sectoral co-operatives. This aspect has been strengthened. Strategic alliances have been formed within the co-operatives, public and private and outside India. National level and State level Co-operatives have forged strategic alliances with co-operatives and other institutions within the country and also with various countries in the world. To name a few, the following is the details of strategic alliances entered into by IFFCO, KRIBHCO, NAFED, AMUL etc. IFFCO has strategic alliances with various institutions of different countries like Senegal, Jordan, Australia, Oman, Canada in the field of fertilizer production and with a company in Japan in the field of general insurance. Further, IFFCO has diversified in the field of power generation, communication, collateral management services, commodity exchange, agri-business etc. by forming strategic alliances with various institutions in India. Similarly, KRIBHCO has strategic alliances with a company in Oman in the field of fertilizer production. Gujarat Co-operative Milk Marketing Federation, popularly known for AMUL brand has emerged as the India's largest exporter of dairy products.

Co-operatives also ensure economy of sale in many areas such as production and procurement of foodgrains, other cash crops, production of many items of agriculture produce, production and distribution of fertilisers and other inputs, etc. The sugar co-operatives in India have performed well by following economic of scale in their operations. The Government has many entrepreneurial schemes for which active involvement of co-operatives is empha-

**Co-operatives and governments are taking various measures to develop innovative strategies for capacity building and establishment of fair business relationship.**



sized. In the wake of affordable housing for weaker sections of the society, the housing co-operatives in India present a strong alternative by providing security to their members. For their participatory character and embedded in their communities for taking up the forestry activities, Indian Farm & Forestry Development Co-operative has emerged as a successful co-operative.

There is clear demarcation of role of each tier of the co-operative movement so that there is no unnecessary overlapping and competition amongst themselves to harness the gains of globalisation.

#### **SUB ANNEXURE-I**

Theme Based Questions on the Recommendations of the 8th ICA-AP Ministers' Conference

#### **Clear Policy and Law on Co-operatives**

**Question 1:** Has any review of government Policy and Law on co-operatives been carried out with participation of co-operatives clearly defining the roles of the Government, self-regulatory nature of co-operative functioning and authorising Apex co-operative organisations to regulate the primary societies in a manner conducive to their growth?

REPLY: Yes such a review has taken place and is being taken as continuous basis. The Government has invited participation from the Co-operative Movement Leadership in the review of the Law on Co-operatives by constituting a High Powered Committee to suggest a conducive legal policy framework for development of co-operatives. The movement have suggested changes in the Multi-State Co-operative Societies Act, 2002. The role of the government is towards policy initiatives, funding support and allowing the societies to be autonomous, self reliant and free from political interference. Co-operatives are moving towards self regulation regime. Apex co-operatives are contributing towards the growth of primary co-operatives and are not regulating them.

**Question 2:** Have the Government introduced support measures to diversify the activities of the co-operatives into innovative sectors like health, formal education and other public policy initiatives such as livelihood creation and security for the disadvantaged, etc?

REPLY: Yes, such measures have been taken and as a result co-operatives are now entering into activities like education, health, sanitation, rural housing, water harvesting, drainage, sewage, etc. Co-operatives

are getting increasingly involved in removal of social taboos like HIV/AIDS, Child Marriage, Dowry, Women Foeticide, etc. They are going in for green agriculture, social forestry, etc. All this has impact on livelihoods, improvement in the quality of life and social security for the disadvantaged. For example, the Provincial Government in Kerala has encouraged co-operatives in the field of primary health services. The concept of Corporate Social Responsibility is also on play. The employment generating schemes of the government do not give primacy to co-operatives.

#### **Political Neutrality**

**Question 3:** What measures have been taken by co-operatives to ensure that the co-operatives are isolated from politics and are not used as political platforms and instead use their weight as an alternate socio-economic force lobbying for social economy?

REPLY: The Constitution Amendment Bill is in the offing. Once passed, co-operatives will rid themselves of political interference and become truly economic, self-reliant and autonomous entities. Government is keen not to interfere in their functioning and allow them to emerge as an alternate socio-economic force. The amendment of Multi-State Co-operative Societies Act 2002 ensures that co-operative function in a democratic & autonomous manner. All these are designed in such a way that co-operative function as an alternate socio-economic force devoid of political overtones.

#### **Drafting Co-operative Laws**

**Question 4:** Has the Government acted on the recommendation that elements of tax laws and regulations should not be a part of the co-operative law which being 'organisation law' should cover management aspects of co-operatives following a general concept with autonomy and power to make bye-laws drafted in a language that an ordinary citizen could follow?

REPLY: Co-operatives are waging a battle, that elements of tax laws and regulations should not be a part of co-operative law, with a mixed degree of success. Co-operatives in India are working towards Organisation Law with a concept of autonomy. The laws and bye-laws in India is drafted in a language which an ordinary citizen can understand, specially in the various local languages of the respective states.

#### **Contents of Co-operative Law**

**Question 5:** The 8th Ministers' Conference recommended provisions laying down a definition of co-

operatives, criteria to determine a genuine co-operative society, rules against demutualisation, improved governance, a policy for registration of co-operatives, minimum requirement of capital, delinking management with ownership of co-operatives, pre-registration audit and membership, a minimum contents of bye-laws, etc. What actions have been taken on these recommendations?

REPLY: The co-operative movement in India is more than 100 years old and has evolved itself over a period of time. All the above recommendations are taken care of, in good measure, while ensuring functioning of co-operatives.

### **Globalization and Co-operative Advantages**

**Question 6:** Following the recommendations of the 8th conference, has your Government made efforts to adopt a proactive, pro-poor initiative, a high standard of co-operative governance more effective than corporate governance and active involvement of co-operatives in W.T.O. round of discussions to protect the interests of small producers and farmers?

REPLY: Yes, the Government is making efforts to adopt a pro – active, pro – poor high standard of co-operative governance approach as distinct from corporate governance. Co-operatives themselves are geared towards all this knowing it full well that they have to transform themselves to survive in the changed economic scenario. Involvement of co-operatives in WTO round of discussions is expected from government side.

### **Contradictions and dilemmas**

**Question 7:** The 8th Conference has thrown up certain issues, seemingly conflicting which need to be resolved such as balancing Government assistance with autonomy of co-operatives, engaging external directors to overcome deficiency in leadership in co-operatives, compensating co-operatives for extra (social) costs in implementing poverty alleviation programmes, exploring strategic partnership with private corporate sector, etc. Have your Government or organisation formulated their views on these issues?

REPLY: NCUI all along has been trying to balance government assistance with autonomy to co-operatives. Government assistance is for planned development of the country and co-operatives and in the garb of government funds, the autonomy of co-operatives cannot be sacrificed. Co-operatives, by and large, are not in favour of engaging external directors in the

name of overcoming deficiency in co-operatives. In special circumstances, experts can be associated on conditions agreeable to co-operative concerned.

Co-operatives are implementing many schemes of governments and they are not compensated for extra work entailing extra cost. This is not fair. Co-operatives are autonomous organisations and not departments of governments. Therefore, co-operatives have been pleading for compensation but governments willy nilly are forcing them to accept their hegemony.

In today's environment, there is no harm in exploring strategic partnership with private corporate sector. Co-operatives have to adopt themselves to this. But while doing so, the basic character of co-operatives and their autonomy cannot be corroded and compromised. As a matter of fact, many of the successful co-operatives like AMUL, who do not work for profit, have successfully thrown the private sector and multi-nationals out of gear. Today, in the crusade for development, they may selectively and on mutually agreed terms join hands for overall development of the country, as none of them is untouchable.

### **3. Japanese Workers' Co-operative Union**

9th ICA-AP Co-operative Ministers' Conference, Bangkok, Thailand

QUESTIONNAIRE FOR PARTICIPANTS OF THE 8th ICA-AP CO-OPERATIVE MINISTERS' CONFERENCE HELD AT KUALA LUMPUR IN 2007

**INTRODUCTION:** The 8th ICA-AP Ministers' Conference in Kuala Lumpur made six major recommendations under the following heads for consideration and adoption at the level of the governments and co-operatives to carry out reforms in co-operative Policies and Laws to enable the co-operatives to adapt with the changing global scenario and to work in all fields of human endeavour. Please indicate actions taken on these recommendations in your replies to the questions placed below. To facilitate your replies, a set of supplementary questions are also placed which are explanatory in nature. Kindly send your replies at [savitrisingh@icaroap.coop](mailto:savitrisingh@icaroap.coop) by 31 October, 2011.

Please find the questions corresponding to the relevant provisions of the Kuala Lumpur Declaration.

Noting the multi-dimensional impact of globalization on socio-economic life of the people of Asia and Pacific and their institutions particularly co-operatives;

Taking note that while globalization and liberalisation of national economies has resulted in enhanced economic growth and prosperity, its gains have not been equitably distributed among the people particularly the poor and more vulnerable sections of the community;

**Question 1:** What is your perception and experience of multi-dimensional impact of globalization in your country and how your organisations coped with the same and particularly the adverse impact on the vulnerable sections of the population?

[Related Supplementary Questions at Annexure II – Q.1, Q.2, Q.3, Q.4, Q.5]

Reply: As long as our organization is concerned, JWCU has been commissioned to provide public job assistance programmes, which are spreading to several prefectures.

Appreciating the urge of co-operative movement to participate in the developmental process for harnessing the gains of globalization and for taking them to people for poverty reduction, employment generation and equitable national development;

**Question 2:** What have been the gains of globalization enabling co-operatives to help poverty reduction or employment generation?

[Related Supplementary Questions at Annexure II – SAME AS ABOVE]

Reply: The gains are very limited. If there are any, they are short-term (about 6 months) job opportunities.

Realizing the importance of enabling co-operative legislation and policies for creating a conducive environment for development of co-operatives;

Appreciating the role of ICA to continuously facilitating the dialogue between the co-operatives and the governments to enhance the role of the co-operatives for economic growth and prosperity in the region;

We the participants of the 8th Ministers' Conference on "Co-operative Legislation and Policy" held in Kuala Lumpur, Malaysia from 12-15 March 2007:

Urge upon the Governments to catalyze the process of re-orienting the Co-operative Legislation and Policy to strengthen apolitical and autonomous character of co-operatives and to provide a positive level playing field to co-operatives to enable them to compete in the globalized market.

**Question 3:** Has the Government initiated any new measure since the KL Declaration to re-orient the co-operative Laws and Policies to uphold the autonomous and an apolitical character of co-operatives?

[Related Supplementary Questions at Annexure II – Q.8, Q.9]

Reply: No

Call upon the Co-operative Movements to contribute effectively in the process of economic development, amongst others, by organizing small producers including farmers, workers and protecting consumers through self-help mode and also ensuring increased participation of women and youth in the co-operatives.

**Question 4:** Have co-operatives acted on the Declaration and taken steps to organise small farmers, consumers and workers through self-help mode to enable them to participate in the economic development process?

[Related Supplementary Questions at Annexure II – Q.17, Q.18, Q.21, Q.22]

Reply: Since there is no statistical information available, it is difficult to say.

Exhort Co-operatives and Governments to strengthen management capacity, participatory governance and fair business relationship for ensuring healthy functioning of co-operative system through innovative strategies.

**Question 5:** What measures have been taken by Co-operatives/Government to develop innovative strategies for capacity building of co-operatives and to establish fair business relationship in your country?

[Related Supplementary Questions at Annexure II – Q.16, Q.25, Q.32, Q.35, Q.37, Q.39]

Reply: As part of IYC celebration, there have been various programs to have people rediscover roles of co-operatives. As for JWCU, it has been working on reconstruction and job creation in the quake-hit areas.

**In today's environment, there is no harm in exploring strategic partnership with private corporate sector**

Considering the dynamic changes and trends emerging in the national economies, we also call upon the Co-operative Movements and the Governments in the region to periodically review the efficacy and effectiveness of Co-operative Legislation and Policy and introduce appropriate reforms.

**Question 6:** Has any review of the efficacy of co-operative law and policy been carried out as per the declaration of the 8th Co-operative Ministers' Conference? If so, please furnish a summary of the review.

[Related Supplementary Questions at Annexure II – Q.1, Q.7, Q.9, Q.11, Q.13, Q.21, Q.29, Q.30, Q.31]

Reply: No. There was a discussion on tax rate reduction (for co-operatives in general) once, but it was gone due to the earthquake and the governmental financial difficulties.

Recognizing co-operatives as an important and significant sector of the national economy effectively contributing to the development, we affirm our support for Co-operative Movement as a sustainable and efficient institution through:

9. Encouragement of co-operative entrepreneurship by inculcating entrepreneurial spirit and skills among the members, leaders and managers of the co-operatives through education and training.
10. Attainment of economy of scale and strategic business alliances among co-operatives both domestically and internationally.
11. Role clarity among different tiers to enhance impact of the Co-operative Movement.
12. Harnessing the gains of the fair globalization and liberalization for the benefit of members.

**Question 7:** Considering the support pledged to the co-operative movement in the 8th Conference to attain efficiency and sustainability through measures such as attainment of co-operative entrepreneurship, strategic alliances, and economy of scale with clear demarcation of roles assigned to each tier of the co-operative movement in order to harness the gains of globalisation. What concrete steps have been taken by Co-operatives/ Government since 2007 to realize these objectives?

[Related Supplementary Questions at Annexure II – Q.14, Q.15, Q.16, Q.19, Q.26, Q.36, Q.37, Q.38, Q.39]

Reply: The legislative movement for worker co-operative law has started (currently, there is no such law). However, it is under the leadership of citizens/worker co-operatives.

#### **SUB ANNEXURE-I**

Theme Based Questions on the Recommendations of the 8th ICA-AP Ministers' Conference

#### **Clear Policy and Law on Co-operatives**

**Question 1:** Has any review of government Policy and Law on co-operatives been carried out with participation of co-operatives clearly defining the roles of the Government, self-regulatory nature of co-operative functioning and authorising Apex co-operative organisations to regulate the primary societies in a manner conducive to their growth?

REPLY: The recommendations have not been accomplished yet. Therefore, the further recommendations are needed to keep pushing for their implementation.

**Question 2:** Have the Government introduced support measures to diversify the activities of the co-operatives into innovative sectors like Health, formal education and other public policy initiatives such as livelihood creation and security for the disadvantaged etc?

REPLY: No support measures have been introduced. We are involved in the activities on an equal footing with other enterprises/organizations.

#### **Political Neutrality**

**Question 3:** What measures have been taken by co-operatives to ensure that the co-operatives are isolated from politics and are not used as political platforms and instead use their weight as an alternate socio-economic force lobbying for social economy?

REPLY: As a part of our lobbying activities for better systems and policies, we have kept presenting to each political party about the potential of co-operatives in social contribution.

#### **Drafting Co-operative Laws**

**Question 4:** Has the Government acted on the recommendation that elements of tax laws and regulations should not be a part of the co-operative law which being 'organisation law' should cover management aspects of co-operatives following a general concept with autonomy and power to make bye-laws drafted in a language that an ordinary citizen could follow?

REPLY: No.

### Contents of Co-operative Law

**Question 5:** The 8th Ministers' Conference recommended provisions laying down a definition of co-operatives, criteria to determine a genuine co-operative society, rules against demutualisation, improved governance, a policy for registration of co-operatives, minimum requirement of capital, delinking management with ownership of co-operatives, pre-registration audit and membership, a minimum contents of bye-laws etc. What actions have been taken on these recommendations?

REPLY: Because the criteria of co-operatives are quite strict in Japan, these problems are already resolved. However, Japan has no worker co-operative law, which is much needed.

### Globalization and Co-operative Advantages

**Question 6:** Following the recommendations of the 8th Conference, has your Government made efforts to adopt a proactive, pro-poor initiative, a high standard of co-operative governance more effective than corporate governance and active involvement of co-operatives in W.T.O. round of discussions to protect the interests of small producers and farmers?

REPLY: The law has been revised in accordance with Companies Act.

### Contradictions and dilemmas

**Question 7:** The 8th Conference has thrown up certain issues, seemingly conflicting which need to be resolved such as balancing Government assistance with autonomy of co-operatives, engaging external directors to overcome deficiency in leadership in co-operatives, compensating co-operatives for extra (social) costs in implementing poverty alleviation programmes, exploring strategic partnership with private corporate sector, etc. Have your Government or organisation formulated their views on these issues?

REPLY: No. It seems that the government is not interested in co-operatives.

### 4. Nepal

9th ICA-AP Co-operative Ministers' Conference, Bangkok, Thailand

QUESTIONNAIRE FOR PARTICIPANTS OF THE 8th ICA-AP CO-OPERATIVE MINISTERS' CONFERENCE HELD AT KUALA LUMPUR IN 2007

**INTRODUCTION:** The 8th ICA-AP Ministers' Conference in Kuala Lumpur made six major recommendations under following heads for consideration and

adoption at the level of the governments and co-operatives to carry out reforms in co-operative Policies and Laws to enable the co-operatives to adapt with the changing global scenario and to work in all fields of human endeavour. Please indicate actions taken on these recommendations in your replies to the questions placed below. To facilitate your replies, a set of supplementary questions are also placed which are explanatory in nature. Kindly send your replies at savitrisingh@icaroop.coop by 31 October, 2011.

Please find the questions corresponding to the relevant provisions of the Kuala Lumpur Declaration.

Noting the multi-dimensional impact of globalization on socio-economic life of the people of Asia and Pacific and their institutions particularly co-operatives;

Taking note that while globalization and liberalisation of national economies has resulted in enhanced economic growth and prosperity, its gains have not been equitably distributed among the people particularly the poor and more vulnerable sections of the community;

**Question 1:** What is your perception and experience of multi-dimensional impact of globalization in your country and how your organisations coped with the same and particularly the adverse impact on the vulnerable sections of the population?

[Related Supplementary Questions at Annexure II – Q.1, Q.2, Q.3, Q.4, Q.5]

Reply: Globalization have both positive and negative impact in the Nepalese economy. Due to globalization a large number of people have got chance of foreign employment. Tourism sector also booming and it is increasing every year. It has also achieved the great advantage of development of communication. However, the globalization and liberalization in the industrial growth of Nepal has negligible impact.

In the case of negative impact, small holder farmers, small scale capital and raw materials affected by globalization. They cannot compete with big multinational companies.

Appreciating the urge of co-operative movement to participate in the developmental process for harnessing the gains of globalization and for taking them to people for poverty reduction, employment generation and equitable national development;

**Question 2:** What have been the gains of globalization enabling co-operatives to help poverty reduction or employment generation?

[Related Supplementary Questions at Annexure II – SAME AS ABOVE]

Reply: The financial activities in the co-operative sector have tremendously increased. The growth of number of co-operative and that of financial business transactions have increased. The co-operative finance has a share of approximately more than 15 per cent in the national finance. The contribution as a share capital, the collection of savings and the financial transactions are Rs. 12 billion, Rs. 40 billion and 45 billion respectively.

Realizing the importance of enabling co-operative legislation and policies for creating conducive environment for development of co-operatives;

Appreciating the role of ICA to continuously facilitating the dialogue between the co-operatives and the governments to enhance the role of the co-operatives for economic growth and prosperity in the region;

We the participants of the 8th Ministers' Conference on "Co-operative Legislation and Policy" held in Kuala Lumpur, Malaysia from 12-15 March 2007:

Urge upon the Governments to catalyze the process of re-orienting the Co-operative Legislation and Policy to strengthen apolitical and autonomous character of co-operatives and to provide a positive level playing field to co-operatives to enable them to compete in the globalized market.

**Question 3:** Has the Government initiated any new measure since the KL Declaration to re-orient the co-operative Laws and Policies to uphold the autonomous and an apolitical character of co-operatives?

[Related Supplementary Questions at Annexure II – Q.8, Q.9]

Reply: The government of Nepal is in the process of amendment of co-operative law and that of co-operative policies formulation to strictly uphold the autonomous and an apolitical character of co-operative. As reflected in the Interim Constitution and also the new Constitution which is under drafting process has recognized co-operative as one of the economic pillar among 3 pillars (Public sector, Co-operative and Private sectors).

Call upon the Co-operative Movements to contribute effectively in the process of economic development, amongst others, by organizing small producers including farmers, workers and protecting consumers through self-help mode and also ensuring increased

participation of women and youth in the co-operatives.

**Question 4:** Have co-operatives acted on the Declaration and taken steps to organise small farmers, consumers and workers through self-help mode to enable them to participate in the economic development process?

[Related Supplementary Questions at Annexure II – Q.17, Q.18, Q.21, Q.22]

Reply: Co-operatives have emerged for farmers, consumers and workers. Government has announced the policy and project for promoting the agro processing industry, co-operative farming and consumer co-operatives.

Exhort Co-operatives and Governments to strengthen management capacity, participatory governance and fair business relationship for ensuring healthy functioning of co-operative system through innovative strategies.

**Question 5:** What measures have been taken by Co-operatives/Government to develop innovative strategies for capacity building of co-operatives and to establish fair business relationship in your country?

[Related Supplementary Questions at Annexure II – Q.16, Q.25, Q.32, Q.35, Q.37, Q.39]

Reply: Training on capacity building in a professional way and management capacity has been undertaken by the government and co-operative movement. Some budget has been allocated by the government for the promotion of co-operative business. Government has launched TOT programme to develop district level manpower and some exposure cum study visit programmes have organized by co-operative federation for high level co-operative leader and concerned officers.

Considering the dynamic changes and trends emerging in the national economies, we also call upon the Co-operative Movements and the Governments in the region to periodically review the efficacy and effectiveness of Co-operative Legislation and Policy and introduce appropriate reforms.

**Question 6:** Has any review of the efficacy of co-operative law and policy been carried out as per the declaration of the 8th Co-operative Ministers' Conference? If so, please furnish a summary of the review.

[Related Supplementary Questions at Annexure II – Q.1, Q.7, Q.9, Q.11, Q.13, Q.21, Q.29, Q.30, Q.31]

Reply: The Interim Constitution of Nepal-2006 and the new draft Constitution has recognised co-operative sector equal to public and private sector for the national economic development. Accordingly, a priority has been given in the co-operative sector in the National Economic Development Plan.

Recognizing co-operatives as an important and significant sector of the national economy effectively contributing to the development, we affirm our support for Co-operative Movement as a sustainable and efficient institution through:

13. Encouragement of co-operative entrepreneurship by inculcating entrepreneurial spirit and skills among the members, leaders and managers of the co-operatives through education and training.
14. Attainment of economy of scale and strategic business alliances among co-operatives both domestically and internationally.
15. Role clarity among different tiers to enhance impact of the Co-operative Movement.
16. Harnessing the gains of the fair globalization and liberalization for the benefit of members.

**Question 7:** Considering the support pledged to the co-operative movement in the 8th Conference to attain efficiency and sustainability through measures such as attainment of co-operative entrepreneurship, strategic alliances, and economy of scale with clear demarcation of roles assigned to each tier of the co-operative movement in order to harness the gains of globalisation. What concrete steps have been taken by Co-operatives/ Government since 2007 to realize these objectives?

[Related Supplementary Questions at Annexure II – Q.14, Q.15, Q.16, Q.19, Q.26, Q.36, Q.37, Q.38, Q.39]

Reply: Focusing on importance of co-operative sector, the national economic development current three year plan (2010-2013) has envisaged a number of programmes which include refinement of co-operative laws, formulation of co-operative policies, establishment of wholesale store, establishment of large, medium and small scale industries with subsidies, encouragement of accessibility of community and backward regions to co-operative.

In Nepal, co-operative movement and government with concerned stakeholders has formed a Co-oper-

ative Coordination Network as a strategic alliance for attaining the collective intervention for finding common issues/problems in the country.

#### SUB ANNEXURE-I

Theme Based Questions on the Recommendations of the 8th ICA-AP Ministers' Conference

#### Clear Policy and Law on Co-operatives

**Question 1:** Has any review of government Policy and Law on co-operatives been carried out with participation of co-operatives clearly defining the roles of the Government, self-regulatory nature of co-operative functioning and authorising Apex co-operative organisations to regulate the primary societies in a manner conducive to their growth?

REPLY: Any review of government policy and law on co-operatives have not so far done demarking the role of government and apex body to regulate the primary co-operatives in a manner conducive to their growth.

**Question 2:** Have the Government introduced support measures to diversify the activities of the co-operatives into innovative sectors like health, formal education and other public policy initiatives such as livelihood creation and security for the disadvantaged etc?

REPLY: Co-operators have taken initiatives to carry out social service activities like health, education etc. They are supported by the government providing legal, consulting and incentive services.

#### Political Neutrality

**Question 3:** What measures have been taken by co-operatives to ensure that the co-operatives are isolated from politics and are not used as political platforms and instead use their weight as an alternate socio-economic force lobbying for social economy?

REPLY: Keeping isolation of co-operative from politics has not been taken up so far.

#### Drafting Co-operative Laws

**Question 4:** Has the Government acted on the recommendation that elements of tax laws and regulations should not be a part of the co-operative law which being 'organisation law' should cover management aspects of co-operatives following a general concept with autonomy and power to make bye laws drafted in a language that an ordinary citizen could follow?

REPLY: Model bye-laws are readily available for ordinary citizens who can make any changes not contravening any provision of co-operative act and co-

operative regulations since they are free to organize autonomous co-operative.

#### **Contents of co-operative Law**

**Question 5:** The 8th Ministers' Conference recommended provisions laying down a definition of co-operatives, criteria to determine a genuine co-operative society, rules against demutualisation, improved governance, a policy for registration of co-operatives, minimum requirement of capital, delinking management with ownership of co-operatives, pre-registration audit and membership, a minimum contents of bye-laws etc. What actions have been taken on these recommendations?

REPLY: The Department of Co-operatives has circulated the standard related to registration, operation, audit, monitoring and regulation for co-operatives time to time and it has revised this year on April 11, 2011. In which above-mentioned subjects are incorporated. Necessary provision mentioned in the standard has been made an integral part and incorporate in the bye-laws.

#### **Globalization and Co-operative Advantages**

**Question 6:** Following the recommendations of the 8th Conference, has your Government made efforts to adopt a proactive, pro-poor initiative, a high standard of co-operative governance more effective than corporate governance and active involvement of co-operatives in W.T.O. round of discussions to protect the interests of small producers and farmers?

REPLY: No, any special government effort has been made after the 8th Conference for the active involvement of co-operative to protect the interests of small producers and farmers.

#### **Contradictions and dilemmas**

**Question 7:** The 8th Conference has thrown up certain issues, seemingly conflicting which need

to be resolved such as balancing Government assistance with autonomy of co-operatives, engaging external directors to overcome deficiency in leadership in co-operatives, compensating co-operatives for extra (social) costs in implementing poverty alleviation programmes, exploring strategic partnership with private corporate sector, etc. Have your Government or organisation formulated their views on these issues?

REPLY: The government is engaged in formulation of policy in which most of the views will include government assistance, development of leadership, compensation to co-operatives for extra cost to implement poverty reduction programme, exploration of strategic partnership with private sector and public sector too.

#### **5. Sri Lanka**

9th ICA-AP Co-operative Ministers' Conference, Bangkok, Thailand

QUESTIONNAIRE FOR PARTICIPANTS OF THE 8th ICA-AP CO-OPERATIVE MINISTERS' CONFERENCE HELD AT KUALA LUMPUR IN 2007

**INTRODUCTION:** The 8th ICA-AP Ministers' Conference in Kuala Lumpur made six major recommendations under following heads for consideration and adoption at the level of the governments and co-operatives to carry out reforms in co-operative Policies and Laws to enable the co-operatives to adapt with the changing global scenario and to work in all fields of human endeavour. Please indicate actions taken on these recommendations in your replies to the questions placed below. To facilitate your replies, a set of supplementary questions are also placed which are explanatory in nature. Kindly send your replies at savitrisingh@icaroap.coop by 31 October, 2011.

Please find the questions corresponding to the relevant provisions of the Kuala Lumpur Declaration.

Noting the multi-dimensional impact of globalization on socio-economic life of the people of Asia and Pacific and their institutions particularly co-operatives;

Taking note that while globalization and liberalisation of national economies has resulted in enhanced economic growth and prosperity, its gains have not been equitably distributed among the people particularly the poor and more vulnerable sections of the community;

**The Interim Constitution of Nepal-2006 and the new draft Constitution has recognised co-operative sector equal to public and private sector for the national economic development**



**Question 1:** What is your perception and experience of multi-dimensional impact of globalization in your country and how your organisations coped with the same and particularly the adverse impact on the vulnerable sections of the population?

[Related Supplementary Questions at Annexure II – Q.1, Q.2, Q.3, Q.4, Q.5]

Reply: The Sri Lanka Co-operative Movement is always link with vulnerable disadvantaged poor. Therefore, all the coop activities line with the said target group. Its mainly focus to empowerment, sustainability and mainstreaming of the poor in simultaneously. The effect of globalization is a critical issue to facilitate the marginalized and vulnerable poor in remote and difficult areas. The resource mobilization and opportunity allocation would have to be monitor in depth to avoid malpractices in the streams.

Appreciating the urge of co-operative movement to participate in the developmental process for harnessing the gains of globalization and for taking them to people for poverty reduction, employment generation and equitable national development;

**Question 2:** What have been the gains of globalization enabling co-operatives to help poverty reduction or employment generation?

[Related Supplementary Questions at Annexure II – SAME AS ABOVE]

Reply: Globalization is a development tool but needs to be used and adapted carefully. The vulnerable groups will be reached disadvantaged environment through the globalization. The vulnerable poor need to be participated and included with effective strategies. The ineffective strategies lead to develop gaps between income distributions among the different population groups. The globalization effect is not in favour of the Sri Lankan economy, because the unemployment and production scarcity is increasing rapidly. Also, the utilization of labour and resources are not sufficient. The co-operative strategies of modernization and facilities of concessional Government Taxes are effected to marketing of quality goods in a reasonable price ranges.

Realizing the importance of enabling co-operative legislation and policies for creating conducive environment for development of co-operatives;

Appreciating the role of ICA for continuously facilitating the dialogue between the co-operatives and

the governments to enhance the role of the co-operatives for economic growth and prosperity in the region;

We the participants of the 8th Ministers' conference on "Co-operative Legislation and Policy" held in Kuala Lumpur, Malaysia from 12-15 March 2007:

Urge upon the Governments to catalyze the process of re-orienting the Co-operative Legislation and Policy to strengthen apolitical and autonomous character of co-operatives and to provide a positive level playing field to co-operatives to enable them to compete in the globalized market.

**Question 3:** Has the Government initiated any new measure since the KL Declaration to re-orient the co-operative Laws and Policies to uphold the autonomous and an apolitical character of co-operatives?

[Related Supplementary Questions at Annexure II – Q.8, Q.9]

Reply: The present Government is very positive to co-operatives. The Cabinet has already accepted as a policy to establish the National co-operative Policy and make amendments to improve and change the existing Co-operative ACT to suit current socio-economic structure. The national policy formation and amendment to the existing Co-operative ACT were discussed with different Co-operative stakeholders and interested parties prior to finalize the draft documents, which has now submitted to legal draftsmen to obtain legal instructions and advises before obtaining the Cabinet approval. The next step is to submit to the Parliament.

Further to that they have given several tax exemptions to co-operative business and commercial product developments. Also, they have given technical and financial support and facilities to empower the co-operatives in different aspects. Especially, coop city modernization plans, mini coop city concepts in the village level and stability of price structures for essential food item to compete with the private sector could be highlighted in this regard.

In addition to that Co-operative Ministry and Co-operative Development Department has offered technical and financial accesses to industrial, dairy, agri marketing, banking, youth, women and fisheries co-operatives in order to strengthen to compete with the private sector. The actions were supported to build identity, image and prestige of the co-oper-

atives to uphold the autonomous and apolitical character of co-operatives

Call upon the Co-operative Movements to contribute effectively in the process of economic development, amongst others, by organizing small producers including farmers, workers and protecting consumers through self-help mode and also ensuring increased participation of women and youth in the co-operatives.

**Question 4:** Have co-operatives acted on the Declaration and taken steps to organise small farmers, consumers and workers through self-help mode to enable them to participate in the economic development process?

[Related Supplementary Questions at Annexure II – Q.17, Q.18, Q.21, Q.22]

Reply: This issue is concern in depth by the co-operatives to develop second layer to the co-operative movement. The constitutions and bye-laws of the multi-purpose co-operatives have already amended a para by giving compulsory inclusion of women into the Board of Directors. The General Body of the National Co-operative Council of Sri Lanka, the main Apex of the Co-operative Movement has decided to offer one seat for women and one seat for youth by their Constitution. In this process it was taken action to develop youth and women federations through grass-root level small farmer organizations, primary level consumer societies and their activist on bottom up representation. The main idea of this stream is to include youth and women participation to decision making process in the co-operative societies.

Exhort Co-operatives and Governments to strengthen management capacity, participatory governance and fair business relationship for ensuring healthy functioning of co-operative system through innovative strategies.

**Question 5:** What measures have been taken by Co-operatives/Government to develop innovative strategies for capacity building of co-operatives and to establish fair business relationship in your country?

[Related Supplementary Questions at Annexure II – Q.16, Q.25, Q.32, Q.35, Q.37, Q.39]

Reply: The issue related environment was very vastly changed through globalization policies in the country. The in-house and international training was severely expanded due to changes of the business and

commercial improvement of the competitors. In this connection co-operatives and present government has developed several innovative capacity building and institutional strengthening programmes very effectively and efficiently. Therefore, the ground of the socio-economic sphere was improved very positively to the co-operatives. As we discussed in Q. 4 it was improved physical structural plans and technical plans to develop fair business relationship through co-operatives.

Considering the dynamic changes and trends emerging in the national economies, we also call upon the Co-operative Movements and the Governments in the region to periodically review the efficacy and effectiveness of Co-operative Legislation and Policy and introduce appropriate reforms.

**Question 6:** Has any review of the efficacy of co-operative law and policy been carried out as per the declaration of the 8th Co-operative Ministers' Conference? If so, please furnish a summary of the review.

[Related Supplementary Questions at Annexure II – Q.1, Q.7, Q.9, Q.11, Q.13, Q.21, Q.29, Q.30, Q.31]

Reply: In the first time it was planned to establish National Co-operative Policy in Sri Lankan Co-operative history. It covers totally a co-operative autonomy and apolitical free and just society. In different aspects of socio-economic, technical, cultural, spiritual, ethic and principles, environmental, peace and development, equality and equity, gender, youth inclusion and participation, change management, good governance was addressed clearly to build co-operative identity, image and prestige in a long-term context.

In view the amendments to the Co-operative ACT has developed very sound environment for the co-operative movement to establish co-operative identity, autonomy and political free society. The main features of the amendments are totally accumulating the development oriented framework for co-operatives. The linkage and partnership building with co-operative movement among the co-operative ministry and co-operative development department is building very effectively and in a very friendly manner. The economic and business related clauses were changed very fruitfully to suit to modern business and entrepreneurship culture.

Recognizing co-operatives as an important and significant sector of the national economy effectively

contributing to the development, we affirm our support for Co-operative Movement as a sustainable and efficient institution through:

17. Encouragement of co-operative entrepreneurship by inculcating entrepreneurial spirit and skills among the members, leaders and managers of the co-operatives through education and training.
18. Attainment of economy of scale and strategic business alliances among co-operatives both domestically and internationally.
19. Role clarity among different tiers to enhance impact of the Co-operative Movement.
20. Harnessing the gains of fair globalization and liberalization for the benefit of members.

**Question 7:** Considering the support pledged to the co-operative movement in the 8th Conference to attain efficiency and sustainability through measures such as attainment of co-operative entrepreneurship, strategic alliances, and economy of scale with clear demarcation of roles assigned to each tier of the co-operative movement in order to harness the gains of globalisation. What concrete steps have been taken by Co-operatives/ Government since 2007 to realize these objectives?

[Related Supplementary Questions at Annexure II – Q.14, Q.15, Q.16, Q.19, Q.26, Q.36, Q.37, Q.38, Q.39]

Reply: The co-operatives have built their own identity in the socio-economic sphere in a very effective and efficient manner. In 2011, international co-operative day ceremonies have been organized to elaborate real strength of the co-operatives to the general public and the international regimes in different aspects, especially, housing development programmes for the vulnerable poor coop members, system development for co-operative based economic, business, trade and commercial activities, improved technology for co-operative based industries, income generating projects and home gardening projects, modern skills and knowledge building education training and communication programmes, facilitation for book lounging, introductory co-operative projects for school and university students.

In this sector development disciplines of the co-operative sector and its strategies were aimed to focus on the globalization issues and constraints. The strate-

gies could be highlighted as follows: The physical and technological know-how to improve the coop business activities, social and mental attitudinal changes of the coop members, synchronizing the coop activities to suit to the globalization regimes, process of the change management in the co-operative societies, and other disciplinary action was introduced to regularize the malpractices of the system. Further to that it was introduced good governance practices, transparency and accountability of financial management systems, introduction of value added systems to product development, conducting of orientation and induction programmes to school and university students, in terms of developing second layer leadership for Co-operative sector, etc.

#### SUB ANNEXURE-I

Theme Based Questions on the Recommendations of the 8th ICA-AP Ministers' Conference

#### Clear Policy and Law on Co-operatives

**Question 1:** Has any review of government Policy and Law on co-operatives been carried out with participation of co-operatives clearly defining the roles of the Government, self-regulatory nature of co-operative functioning and authorising Apex co-operative organisations to regulate the primary societies in a manner conducive to their growth?

REPLY: It was followed very effective participatory system of data and information gathering process to review government policy and law on co-operatives. The process was implemented as a responsibility of Government, Co-operative sector and other interest parties. The strategy of the preparation of Co-operative Policy and the Co-operative ACT was accumulated with different stages, different stakeholders and participatory techniques. In the process of information gathering it was used focus group discussions, dialogue with different groups, workshops,

**General Body of the National Co-operative Council of Sri Lanka, the main Apex of the Co-operative movement has decided to offer one seat for women and one seat for youth by their Constitution.**

seminars, conferences, legal advisory consultations and expert consultation on framework development etc,

**Question 2:** Have the Government introduced support measures to diversify the activities of the co-operatives into innovative sectors like health, formal education and other public policy initiatives such as livelihood creation and security for the disadvantaged etc?

REPLY: Introduction of the government tax exemption proceedings, price control strategies, credit policy for micro finance and savings activities, ration system on essential goods and services, improve quality standards of coop production and services, introducing of value added system to co-operative business, empowerment small farmers, labourers, women, consumers through institutionalization, etc.

#### **Political Neutrality**

**Question 3:** What measures have been taken by co-operatives to ensure that the co-operatives are isolated from politics and are not used as political platforms and instead use their weight as an alternate socio-economic force lobbying for social economy?

REPLY: The Self-help and self-sustainability of the co-operatives is leads to empowerment. The independency and image building was carried out through the self-esteem and self confidence action oriented work in the co-operative sector. The co-operative societies are totally democratic and governed by co-operators themselves.

#### **Drafting Co-operative Laws**

**Question 4:** Has the Government acted on the recommendation that elements of tax laws and regulations should not be a part of the co-operative law which being 'organisation law' should cover management aspects of co-operatives following a general concept with autonomy and power to make bye-laws drafted in a language that an ordinary citizen could follow?

REPLY: The drafting process is manned totally by a co-operative community with in depth and thorough discussion in a participatory manner.

#### **Contents of Co-operative Law**

**Question 5:** The 8th Ministers' Conference recommended provisions laying down a definition of co-operatives, criteria to determine a genuine co-operative society, rules against demutualisation, improved governance, a policy for registration of co-operatives, minimum requirement of capital, delinking manage-

ment with ownership of co-operatives, pre-registration audit and membership, a minimum contents of bye-laws etc. What actions have been taken on these recommendations?

REPLY: the above all actions were taken into consideration before finalizing the draft form of co-operative ACT in different stages.

#### **Globalization and Co-operative Advantages**

**Question 6:** Following the recommendations of the 8th Conference, has your Government made efforts to adopt a proactive, pro-poor initiative, a high standard of co-operative governance more effective than corporate governance and active involvement of co-operatives in W.T.O. round of discussions to protect the interests of small producers and farmers?

REPLY: Government was concerned about the representation and democratic control of the co-operatives, which means that they were given fullest support and facilitation to empower the co-operative with sense of ownership.

#### **Contradictions and dilemmas**

**Question 7:** The 8th Conference has thrown up certain issues, seemingly conflicting which need to be resolved such as balancing Government assistance with autonomy of co-operatives, engaging external directors to overcome deficiency in leadership in co-operatives, compensating co-operatives for extra (social) costs in implementing poverty alleviation programmes, exploring strategic partnership with private corporate sector etc. Have your Government or organisation formulated their views on these issues?

REPLY: The mainstreams of poverty alleviation and empowerment programme have been implemented by the co-operatives. Government has given more opportunities and accesses to implement the community driven programs. The main objective of the process is to improve the ownership of the projects and programs activities belongs to co-operative membership.

### **6. BHUTAN**

#### **ANNEXURE-I**

Theme Based Questions on the Recommendations of the 8th ICA-AP Ministers' Conference

#### **Clear Policy and Law on Co-operatives**

**Question 1:** Has any review of government Policy and Law on co-operatives been carried out with participation of co-operatives clearly defining the roles

of the Government, self-regulatory nature of co-operative functioning and authorising Apex co-operative organisations to regulate the primary societies in a manner conducive to their growth?

REPLY: The Royal Government of Bhutan (RGOB) has reviewed the earlier Co-operative Act of Bhutan 2001 and passed the amendments as Co-operative (amendment) Act of Bhutan 2009 bringing not only the co-operatives but also the farmers groups under the legal recognition which was rampantly existing without any legal status. The Co-operative (amendment) Act of Bhutan, 2009 empowers all farmers groups and co-operatives within the country to do any economic activities that warrants for their livelihoods and economic growth.

**Question 2:** Have the Government introduced support measures to diversify the activities of the co-operatives into innovative sectors like health, formal education and other public policy initiatives such as livelihood creation and security for the disadvantaged etc?

REPLY: Although co-operative activities in health, formal education and other public policy initiatives has not yet started, but any co-operatives or farmers groups wishing to embark on these activities are not restricted to do so. The Department of Agricultural Marketing and Co-operatives which regulates the Co-operative (amendment) Act of Bhutan, 2009 has introduced to support 40% of the business plan cost of registered farmers groups or co-operatives, be it any business activities.

### **Political Neutrality**

**Question 3:** What measures have been taken by co-operatives to ensure that the co-operatives are isolated from politics and are not used as political platforms and instead use their weight as an alternate socio-economic force lobbying for social economy?

REPLY: Co-operatives and farmers groups enjoy autonomy as private enterprise with economic purpose as per the Co-operative (amendment) Act, 2009 and they are governed by their own bye-laws and Constitution. As such co-operatives and farmers groups are isolated from politics.

### **Drafting Co-operative Laws**

**Question 4:** Has the Government acted on the recommendation that elements of tax laws and regulations should not be a part of the co-operative law which

being 'organisation law' should cover management aspects of co-operatives following a general concept with autonomy and power to make bye-laws drafted in a language that an ordinary citizen could follow?

REPLY: RGOB has exempted co-operatives and farmers groups in Bhutan from income tax for 10 years and our co-operatives and farmers groups has the autonomy and power to make their own bye-laws and constitution.

### **Contents of Co-operative Law**

**Question 5:** The 8th Ministers' Conference recommended provisions laying down a definition of co-operatives, criteria to determine a genuine co-operative society, rules against demutualisation, improved governance, a policy for registration of co-operatives, minimum requirement of capital, delinking management with ownership of co-operatives, pre-registration audit and membership, a minimum content of bye-laws, etc. What actions have been taken on these recommendations?

REPLY: Most of these recommendations are taken care by our Co-operative (amendment) Act of Bhutan, 2009.

### **Globalization and Co-operative Advantages**

**Question 6:** Following the recommendations of the 8th Conference, has your Government made efforts to adopt a proactive, pro-poor initiative, a high standard of co-operative governance more effective than corporate governance and active involvement of co-operatives in W.T.O. round of discussions to protect the interests of small producers and farmers?

REPLY: Bhutan is striving towards these efforts by supporting our co-operatives and farmers group to participate in international trade fairs and contact farming promotions.

### **Contradictions and Dilemmas**

**Question 7:** The 8th Conference has thrown up certain issues, seemingly conflicting which need to be resolved such as balancing Government assistance with autonomy of co-operatives, engaging external directors to overcome deficiency in leadership in co-operatives, compensating co-operatives for extra (social) costs in implementing poverty alleviation programmes, exploring strategic partnership with private corporate sector etc. Have your Government or organisation formulated their views on these issues?

REPLY: In this front, Bhutan's co-operatives and farmers groups do not have such issues.

## ANNEXURE - II

### EXPLANATORY / SUPPLEMENTARY QUESTIONS

Questionnaire for Preparation of the Background Paper for the 9th Ministers' Conference in Feb- March 2012 on status of action on Resolutions and Recommendations of the 8th Ministers' Conference on Coop Legislation and Policy.

1. Since four years have passed after the 8th Ministers Conference on Co-operative Legislation and Policy and the global economy faced a crisis from 2007- 2008 and the economies of US and a number of EU countries are struggling till date to cope with economic slowdown and unemployment. What in brief has been your country's experience of multi dimensional impact of globalisation such as the impact on trade amongst co-operatives within the country or outside?

Reply: The visible adverse impact of increased fuel and inputs cost were experienced in Bhutan.

2. Was the impact wholly benign or partly and if so what has been according to you the problem areas affecting the economy at present and their implications for the co-operatives in your country?

Reply: The impact has partly impeded the economic progress of the co-operatives due to high transportation and input costs.

3. Are the rural co-operatives especially those designed to serve the poorer segments being affected in any manner by these problems in post 2007 period?

Reply: All of our co-operatives and farmers groups are based in rural and designed to serve the poorer sections and they are affected as stated in question No.2

4. What has been " the multi-dimensional impact " as above on urban co-operatives particularly those operating in financial and other service related activities including those in housing, industrial or business credit and manufacturing and value addition activities?

Reply: Bhutan does not have urban financial and other service related co-operatives and thus no such impact.

5. Is your country experiencing like a number of major economies in the region the phenomena of jobless growth specially in the capital intensive organised sector? If so, what has been its spread-sectorwise and where is this most pronounced or observed and whether co-operatives operating in these sectors are in a position to address these issues?

Reply: With no exception to other countries in the region, Bhutan too has unemployment figure growing every year. Since the start of co-operative movement in Bhutan in 2009, co-operative does contribute to generate employment opportunities.

6. Do you feel the need for any policy change in the light of the post 2007 experience with globalisation and if so what are these areas and specify the policy gaps and needs to bridge the same to create 'enabling policies' as recommended in the 8th Ministers Conference?

7. Have you initiated any change or exercise already in your national policy on co-operatives and if so necessary policy documents may kindly be sent to ICA ROAP.

Reply: The Co-operative (Amendment) Act of Bhutan and Co-operatives Rules and Regulation of Bhutan is attached.

8. Did you feed the need for 'a proactive legislation' by way of amendment to your existing co-operative law to deal with any of the multi dimensional effects of globalisation and what are the gaps in law or procedures which warrant amendment or enactment of new laws?

Reply: A stronger support subsidy may be incorporated in our co-operative law for the beginner like Bhutan to push out from the conventional to the co-operative business mode.

9. Have you acted on the recommendations of the 8th Ministers' Conference to review periodically within the government the effectiveness of Co-operative Policy and Legislation?

10. If the answer of the Q.9 is in the affirmative please indicate the periodicity of the reviews and when such review was held last and outcome of review including the changes considered necessary and the problem areas identified if any?

11. Did you consider/examine and act upon the recommendations of the aforesaid conference to introduce appropriate reform in the policies and laws for co-operatives to enhance the impact and scope of the co-operatives in the era of globalisation and if so please indicate the specific reforms or changes and in the light of the recent trends of global economy and your country's experience do you think that your country should go on a "fast track" to introduce these reforms?
12. Do you feel that your co-operative laws and functional procedures still contain provisions which impinge on or stand in the way of 'apolitical' and autonomous character of co-operatives even after years of efforts by ICA and your government and if so please specify these provisions indicating reason why these provisions produce 'the effect' as aforesaid and what should be done to improve the level of 'a political and autonomous character of co-operatives in your country?
- Reply: No
13. What steps have been taken to implement the recommendations of the 8th Ministers' Conference to promote cooperation among co-operatives through 'strategic' business alliances both domestically and internationally?
- 13(a) Could you please give some specific instances or case studies if any of such inter co-operative alliance to meet common business or social goals in your country?
- 13(b) What is your perception of such strategic business alliances in domestic economy and the activity focus of such alliances and in the same sense what has been your experience or effort towards foreign strategic alliances involving domestic and foreign co-operatives or co-operative federations?
14. What according to you are the promising areas of such strategic alliances - in commodity market? What according to you are the prospects of strategic alliances amongst primary co-operatives in villages sharing both sides of an international border and areas sharing a common resource which could be the basis of fair trade either as commodities or value added products based on an agreed production programme of value addition?
15. Since globalisation is founded on a fiercely competitive market place, the aforesaid conference underscored the imperative need in the co-operative sector to build their capacity to compete by raising *inter alia* management capacity of the co-operatives. What have been the concrete steps taken by your government in this matter? Please specify if special courses of training of co-operative managers were organised in pursuance of these recommendations and whether in your opinion such training and exposure have improved the managerial capacity of core management staff of the co-operatives?
- Reply: Bhutan has put in place the co-operative capacity-building master plan which will address the capacity shortfall in areas such as general awareness on co-operatives, business plan development, financial management, marketing aspects and group governance. We are also honoured to receive capacity-building support from ICA-AP in the areas of "quality and safety management of farm products", "Fostering Core Leaders of Agricultural Co-operatives" and "Producer Workshop." Such trainings and exposures have definitely improved the management capacity of co-operatives in Bhutan.
16. A suggestion related to Q.15 was to launch efforts to inculcate entrepreneurial skills and spirit among the members through 'innovative strategies'. Have you taken steps to evolve such a strategy and if so, what are the main elements of these innovative strategies and specifically in what special way are these strategies innovative and what have they achieved or contributed towards growth of the spirit and skills of entrepreneurship? Could you please give some concrete instances of 'skill enhancement'?
17. Have you acted on the suggestion to show case the contribution of strong and vibrant co-operatives in building national economy to generate a ripple or multiplier effect? If your answer to the question is yes, please indicate the better performing sectors and name the

societies and the manner and form in which the ripple effect was generated and if a formal case study was carried out and the results published? If so a copy of the report may be furnished so to ICA ROAP.

18. Since its inception, ICA has been emphasising the advantages of co-operatives in building social harmony and national economy and responding to this advocacy, the governments of the members nations have been extending support to the co-operatives in different forms such as financial assistance, managerial support and tax benefits to promote employment, income generation, social equity and justice.

What is the current position of such 'support package' for co-operatives? Please give details.

Reply: Bhutan's development goal is ultimately seeking Gross National Happiness (GNH), which encompasses not only social harmony and economic growth but also cultural and environment conservation. As such co-operative development in Bhutan and any other development programmes are align towards achieving the goal of GNH. Therefore, the support package towards co-operative development includes financial assistance, managerial support and tax exemptions

19. The distinct character of the co-operatives being 'private self help organisations'; the 8th Ministers' Conference suggested that the policy on co-operatives should 'allow co-operatives to work in all fields of human endeavour. In this background please indicate the spread of co-operatives in different fields in your country and sector-wise.

**A stronger support subsidy may be incorporated in our co-operative law for the beginner like Bhutan to push out from the conventional to the co-operative business mode.**

Reply: Since Co-operative Movement started a couple of years ago in Bhutan, the co-operatives activities have not yet diversified beyond Renewable Natural Resource (RNR) sector such as agriculture, livestock and forestry. But the co-operative law and regulation never restricts our co-operatives to embark on other fields of human endeavours as well.

20. Since the aforesaid Conference, was there any positive development in Policy on Co-operatives defining more clearly the role of the government vis-a-vis the co-operatives and that of the apex co-operative institutions vis-a-vis primary co-operatives as regulator or guide and not as controller?

Reply: At the moment to make the kick start of co-operative movement, the government department is the apex co-operative institution which of course just regulates and does not control, but the co-operative law and regulation have the provision to institute the apex co-operative organization separately as and when our co-operative movement gain experience and maturity.

21. In pursuance of the recommendations of the aforesaid conference, has the government introduced support measures for co-operatives engaged in activities such as livelihood security for the disadvantaged in the form of tax benefits, soft loans, access to public works programme and special procurement provisions? If so, could these measures now in force be specified?

Reply: Besides the supports mentioned in response to earlier questions our co-operatives and farmers groups also made access to public work programme. For example, our co-operatives are engaged in the input service delivery to the communities through the operation of "one stop farmers shop" which was earlier handled by the public sector.

22. A kind of 'watchdog' role was envisaged for co-operatives in assessing the globalisation process which was also implicit in another recommendation to ensure participation of co-operatives in WTO round of discussions to protect the interest of small producers, farmers and consumers. In this backdrop, please



- indicate if any co-operative or apex co-operative organisation has been able to go deep into the issues arising out of globalisation in your country or whether the co-operatives were involved either directly or indirectly or their views taken into account in WTO deliberations especially on issues such as export subsidy, domestic support, trade related intellectual property rights, sanitary and sanitary measures etc?
23. Have co-operatives in your country been able to diversify into innovative sectors like infrastructure building, service industry, disaster mitigation and preparedness, formal schooling, education and health care as recommended by the 8th Conference and if so what are the sectors the co-operatives could enter with beneficial effect in the society?
- Reply: Not yet
24. The aforesaid Conference declared emphatically that the co-operatives should be delinked from politics and not to be used as instruments for implementation of political programmes or as a stepping stone for pursuit of political careers. Has your government set up any mechanism backed up by law to ensure political neutrality of co-operatives?
- Reply: The article 4 of our Co-operative (amendment) Act of Bhutan, 2009 recognizes the values and principles of Co-operatives and thus ensues the apolitical and autonomous character of co-operatives in Bhutan.
25. Co-operatives are viewed as not just business organisations but an 'alternative economic force' to lobby for favourable legal, economic and social framework conditions for the sector called social economy. Keeping in view this perspective of the aforesaid Conference, have the co-operatives been able to function as a lobby as envisaged or making any progress to this direction?
- Reply: Since in our situation, the environment and conditions are favourable for the co-operative movement, such an "alternative economic force" need has not arise.
26. Since co-operative laws is essentially 'organisation law' the conference felt that it should rather deal with formation, membership, management and issues pertaining to co-operatives and not burdened with elements of tax law and regulations. Are the co-operatives laws in your country in conformity with this idea and whether there is one common co-operative law based on a common concept or several laws for different types of co-operatives?
- Reply: Our Co-operative (amendment) Act of Bhutan 2009 is in conformity with this idea.
27. Expressing its deep concern for autonomy for the co-operatives, the life blood of co-operative movement, the Conference recommended a balancing mechanism between regulation and autonomy which should leave bye-laws to the co-operatives to meet local requirements and "regulation" aiming not at "control" but for ensuring protection of rights of members and special character of co-operatives and interest of the general public. Seen from this angle, are the Laws, Regulations and Procedures of your country in conformity with this broad consensus?
- Reply: Yes, the laws, regulations and the procedures of our co-operatives are very within this broad consensus.
28. Stressing the need for the simple construction of co-operative laws avoiding complex and technical language as it should be comprehensible to ordinary citizen and co-operative, the Conference suggested that those who draft co-operative laws should work in collaboration with specialists from the co-operative movement and draft laws in a participatory manner. Has this suggestion been put to practice?
29. As regards contents of co-operative law, the conference suggested provisions with a clear definition of co-operatives, criteria to determine a genuine co-operative society, policy for registration of co-operatives, minimum requirement of capital, pre registration audit, membership rights and obligations, acquisition and termination etc. What progress has been made in this direction so far?
- Reply: All these suggested provisions are clearly spelt out in our Co-operative Rules and regulation of Bhutan 2010.

30. The Conference stressed that co-operative laws should define minimum contents of bye-laws which are to be so framed as to protect the autonomy of the co-operatives and to restrict their functioning. Has this suggestion been implemented?

Reply: Our bye-laws development guide defines the minimum content requirement and it does protect the autonomy of the co-operatives.

31. The Conference emphasised the need for improved governance under a legal regime ensuring fair election, election of trustworthy leaders, transparency, accountability and good governance practices and delinking management from ownership to promote professionalism, audit and participation of women. What is the current status of implementation of these recommendations?

Reply: The implementation of co-operative development in Bhutan maintains fair election, election of trustworthy leaders, transparency, accountability and good governance practices and delinking management from ownership to promote professionalism, audit and participation of women.

32. The Conference viewed strongly the need for Rules against demutualisation and transformation of co-operatives into companies and recommended a quorum of two-thirds of all members present and voting and with a two third majority for taking any decision on such proposals. Have the co-operative laws and rules been amended to incorporate these suggestions?

Reply: Yes, our Co-operative (amendment) Act of Bhutan has incorporated these suggestions.

33. The Conference recommended a strong pro poor orientation in the functioning of co-operatives for protection of livelihood security of the people engaged in informal sector in particular. Have the co-operatives adopted this as a part of their agenda?

34. On co-operatives participation in poverty alleviation programmes, the conference also felt that it entails some (social) cost to be borne

by members and these are 'non profit making activities being in the nature of "capacity building of the poor'. By implication, the government has to incentivise such co-operatives. Has any substantial step has been taken in this vital matter to provide incentives to co-operatives?

35. Training or promoters of co-operatives and strategic partnership between co-operatives and private sector have also been underscored. Have the Government taken any initiative to implement these suggestions?

36. Affordable health cover for all specially in rural areas has been the objective of many member countries and various initiatives have been taken to extend health cover to the citizens directly by state-agencies and indirectly by promoting medical and health sector in most countries, though there is enormous scope in the use of co-operatives as a mode of delivery of affordable healthcare especially for running of hospital and related facilities. In this background of the overall poor health situation in most member countries of Asia and Pacific region, do you consider it necessary to formulate a special policy to promote a package of services covering health, family welfare, women and child health and nutrition by supporting formulation of co-operatives to take up these functions and what are your specific suggestions in this regard?

37. Since in many member countries, fishing is the basis of livelihood of thousands of families of fishermen and a number of state laws enacted over the years encourage and promote fishing by fisheries co-operative societies comprising of countries traditionally involved in fishing, it is considered that special steps are necessary in member countries endowed with this resource to protect the livelihood of poor fisherman by providing a package of legal, financial, management and marketing support. This has assumed urgency in view of spread of deep sea fishing by trawlers engaged by large corporate to reducing drastically in some cases the areas accessible to traditional fisherman by using small country or power boats. Would you in this situation recommend a special policy package for promotion of co-

- operatives not only for capturing fish but also for processing of fish on co-operative basis?
38. Though Housing especially urban housing has been a traditional area for the co-operatives comprising of members who are willing to pool their resources to develop group housing and many member countries have enacted laws and framed policies to facilitate growth of co-operatives in the housing sector and offered concessional terms of lending to housing co-operatives by banks, yet there are many taxes payable for services or even acquisition of titles by individual members. Do you feel it necessary to formulate a special policy to promote housing co-operatives on a stronger footing to deal with urban homelessness, destitution and even the incidents of rural houselessness accrued in some areas? What is the status of law and policy in your country in regard to co-operative housing? What measures should be taken to prevent misuse of unreasonable membership of housing co-operatives for speculative personal gain?
39. In the context of the climate change and the challenge to mitigate its effect on environment and livelihood support systems, conservation of forests has acquired a very critical importance in the global agenda as embodied in resolutions passed in post Rio period. It is imperative in this effort to emphasize the role of the communities traditionally dwelling in the forest or in the lands on proximity of forests as stakeholders and partners in conservation and environment of forest and wildlife hence, co-operatives, because of their orientation to equity and grass roots level functioning are ideal for taking up activities in the forestry sector particularly in areas of forest protection, equitable and appropriate use of minor forest produce and regeneration and maintenance of forest species.

A mechanism known as Joint Forest Management in India based on sharing functions jointly by the State and communities living in the forest all in its vicinity successfully yielded rich benefits could be the basis activity focus of Introduction co-operatives in the forestry sector. Do you feel that there is scope for this initiative in your country by suitable and sup-

portive measures to encourage the growth of co-operatives, in not only in conservation but also for gainful use of minor forest produce by such co-operatives for livelihood security of forest dwellers? Would your country's forest laws and regulations allow growth of co-operatives in forestry or take up activities related to forest resource?

Reply: There is huge scope for the introduction of co-operatives in forestry sector in Bhutan. In fact, our existing forest laws and regulations provides due focus on community management and we are already promoting Community Forest Management Groups (CFMGs) for forest conservation and its sustainable utilization. We have 300 plus CFMGs across the country.

#### 7. FISHCOPFED, INDIA

9th ICA-AP Co-operative Ministers' Conference, Bangkok, Thailand

QUESTIONNAIRE FOR PARTICIPANTS OF THE 8th ICA-AP CO-OPERATIVE MINISTERS' CONFERENCE HELD AT KUALA LUMPUR IN 2007

**INTRODUCTION:** The 8th ICA-AP Ministers' Conference in Kuala Lumpur made six major recommendations under the following heads for consideration and adoption at the level of the governments and co-operatives to carry out reforms in co-operative policies and Laws to enable the co-operatives to adapt with the changing global scenario and to work in all fields of human endeavour. Please indicate actions taken on these recommendations in your replies to the questions placed below. To facilitate your replies, a set of supplementary questions are also placed which are explanatory in nature. Kindly send your replies at savitrisingh@icaroap.coop by 31 October, 2011.

Please find the questions corresponding to the relevant provisions of the Kuala Lumpur Declaration.

Noting the multi-dimensional impact of globalization on socio-economic life of the people of Asia and Pacific and their institutions particularly co-operatives;

Taking note that while globalization and liberalisation of national economies has resulted in enhanced economic growth and prosperity, its gains have not been equitably distributed among the people particularly the poor and more vulnerable sections of the community;

Question 1: What is your perception and experience of multi-dimensional impact of globalization in your country and how your organisations coped with the same and particularly the adverse impact on the vulnerable sections of the population?

[Related Supplementary Questions at Annexure II – Q.1, Q.2, Q.3, Q.4, Q.5]

Reply: The impact of globalization for Fishery Co-operatives in India has been both positive and negative, while the negative aspects weigh more heavily.

With the new globalization, more and more private players and other countries are allowed to import/export produce made by fishermen, thereby affecting the profitability of poor fishermen's produce.

However, the positive side is that they are able to export their produce to other countries. However, the export system of our federation and the fishery sector particularly is not very good at the moment. If the Government is able to provide better opportunity for exports, then the scenario may change.

Till then, the impact of globalization has been very bad for the fishery sector, especially the vulnerable poor fisherfolk,

Appreciating the urge of co-operative movement to participate in the developmental process for harnessing the gains of globalization and for taking them to people for poverty reduction, employment generation and equitable national development;

**Question 2:** What have been the gains of globalization enabling co-operatives to help poverty reduction or employment generation?

[Related Supplementary Questions at Annexure II – SAME AS ABOVE]

Reply: Co-operatives can generate more employment in the fishery sector, especially processing provided the technology available to them is upgraded regularly to meet the global standards.

Realizing the importance of enabling co-operative legislation and policies for creating conducive environment for development of co-operatives;

Appreciating the role of ICA to continuously facilitating the dialogue between the co-operatives and the governments to enhance the role of the co-operatives for economic growth and prosperity in the region;

We the participants of the 8th Ministers' conference on "Co-operative Legislation and Policy" held in Kuala Lumpur, Malaysia from 12-15 March 2007:

Urge upon the Governments to catalyze the process of re-orienting the Co-operative Legislation and Policy to strengthen apolitical and autonomous character of co-operatives and to provide a positive level playing field to co-operatives to enable them to compete in the globalized market.

**Question 3:** Has the Government initiated any new measure since the KL Declaration to re-orient the co-operative Laws and Policies to uphold the autonomous and an apolitical character of co-operatives?

[Related Supplementary Questions at Annexure II – Q.8, Q.9]

Reply: The Government of India and the provincial governments in India have been effecting modification and changes to co-operative Laws and Policies, especially the multi-state co-operative societies' Act. This act is being revised very soon. Discussions have taken place with co-operatives and like minded bodies on the subject.

Call upon the Co-operative Movements to contribute effectively in the process of economic development, amongst others, by organizing small producers including farmers, workers and protecting consumers through self-help mode and also ensuring increased participation of women and youth in the co-operatives.

**Question 4:** Have co-operatives acted on the Declaration and taken steps to organise small farmers, consumers and workers through self-help mode to enable them to participate in the economic development process?

[Related Supplementary Questions at Annexure II – Q.17, Q.18, Q.21, Q.22]

Reply: Co-operatives have been acting on the Declaration especially in the form of setting up more and more fishery co-operatives and also forming small self-help groups, especially in the processing sector, involving more and more women. This will definitely improve the lot of the poor co-operative fishers.

Exhort Co-operatives and Governments to strengthen management capacity, participatory governance and fair business relationship for ensuring healthy functioning of co-operative system through innovative strategies.

**Question 5:** What measures have been taken by Co-operatives/Government to develop innovative strategies for capacity-building of co-operatives and to establish fair business relationship in your country?

[Related Supplementary Questions at Annexure II – Q.16, Q.25, Q.32, Q.35, Q.37, Q.39]

Reply: The Government of India, the Co-operatives and especially the National level Fishery Co-operative Federation (FISHCOPFED) have taken steps in providing training and education to poor fisherfolk in the country. During the year 2010-2011, FISHCOPFED has been able to conduct training for 10,000 fisherfolk at the national and local levels. The trainings were mainly in production, processing, marketing, cold storage, etc.

FISHCOPFED has also been able to get support from NABARD, Government of India, IFFCO, etc. For this purpose.

Considering the dynamic changes and trends emerging in the national economies, we also call upon the Co-operative Movements and the Governments in the region to periodically review the efficacy and effectiveness of Co-operative Legislation and Policy and introduce appropriate reforms.

**Question 6:** Has any review of the efficacy of co-operative law and policy been carried out as per the declaration of the 8th Co-operative Ministers' Conference? If so, please furnish a summary of the review.

[Related Supplementary Questions at Annexure II – Q.1, Q.7, Q.9, Q.11, Q.13, Q.21, Q.29, Q.30, Q.31]

Reply: Reviews of Co-operative laws and policy is being undertaken by the Government of India on a regular basis. In view of these reviews, efforts are on to revise co-operative laws to support the co-operatives more meaningfully.

Recognizing co-operatives as an important and significant sector of the national economy effectively contributing to the development, we affirm our support for Co-operative Movement as a sustainable and efficient institution through:

21. Encouragement of co-operative entrepreneurship by inculcating entrepreneurial spirit and skills among the members, leaders and managers of the co-operatives through education and training.
22. Attainment of economy of scale and strategic business alliances among co-operatives both domestically and internationally.
23. Role clarity among different tiers to enhance impact of the Co-operative Movement.

24. Harnessing the gains of the fair globalization and liberalization for the benefit of members.

**Question 7:** Considering the support pledged to the co-operative movement in the 8th Conference to attain efficiency and sustainability through measures such as attainment of co-operative entrepreneurship, strategic alliances, and economy of scale with clear demarcation of roles assigned to each tier of the co-operative movement in order to harness the gains of globalisation. What concrete steps have been taken by Co-operatives/ Government since 2007 to realize these objectives?

[Related Supplementary Questions at Annexure II – Q.14, Q.15, Q.16, Q.19, Q.26, Q.36, Q.37, Q.38, Q.39]

Reply: The Government of India and Co-operatives and National Level Federations of Co-operatives have taken effective steps to create more and more co-operatives and entrepreneurship in the sector, especially in food processing, including fishery sector. This has contributed positively for the welfare of the teeming millions of poor fishermen.

#### **SUB ANNEXURE-I**

Theme Based Questions on the Recommendations of the 8th ICA-AP Ministers' Conference

#### **Clear Policy and Law on Co-operatives**

**Question 1:** Has any review of government Policy and Law on co-operatives been carried out with participation of co-operatives clearly defining the roles of the Government, self-regulatory nature of co-operative functioning and authorising Apex co-operative organisations to regulate the primary societies in a manner conducive to their growth?

REPLY: As we mentioned earlier, reviews of co-operative laws and policies are undertaken on a regular

**In the context of the climate change and the challenge to mitigate its effect on environment and livelihood support systems, conservation of forests has acquired a very critical importance in the global agenda.**

basis by the Government of India. These are definitely creating effective mechanisms to regulate co-operative policy and control. However, there are instances where the co-operatives feel more controlled by government but the involvement of government's share capital is there in these co-operatives and as such the governments will have to take care of their money. However, a balance of the situation is needed and ideal, where the control of the governments are minimal with more autonomy to the sector.

**Question 2:** Have the Government introduced support measures to diversify the activities of the co-operatives into innovative sectors like health, formal education and other public policy initiatives such as livelihood creation and security for the disadvantaged, etc?

REPLY: The Governments through NABARD, NCDC and other agencies are providing support to co-operative institutions. The Government of India is also providing financial support for holding training programmes at the local and national level for co-operative fishermen.

In addition, the Government of India is also supporting the poor fishermen by providing Centrally Sponsored Accident Insurance Scheme, whereby Rs.1,00,000 is provided for death and permanent disability and Rs.50,000 is provided for partial permanent disability. This amount is being considered to be increased to Rs.200,000 and Rs.100,000 respectively. The premium is paid by the Central Government and State Governments on a 50:50 basis.

Also, the Government of India has plans to introduce hut insurance and insurance for fishing equipments, boats, ponds, etc.

### **Political Neutrality**

**Question 3:** What measures have been taken by co-operatives to ensure that the co-operatives are isolated from politics and are not used as political platforms and instead use their weight as an alternate socio-economic force lobbying for social economy?

REPLY: Since the schemes mentioned above in Question 2 are equally available to all sections of the population, especially fishermen, political neutrality is maintained to the most.

### **Drafting Co-operative Laws**

**Question 4:** Has the Government acted on the recommendation that elements of tax laws and regula-

tions should not be a part of the co-operative law which being 'organisation law' should cover management aspects of co-operatives following a general concept with autonomy and power to make bye-laws drafted in a language that an ordinary citizen could follow?

REPLY: As we mentioned earlier, the Government of India is in the process of revising Co-operative Laws, especially the Multi-state Co-operative law for co-operatives. Consultations and discussions were already held with a number of co-operative and other bodies.

### **Contents of Co-operative Law**

**Question 5:** The 8th Ministers' Conference recommended provisions laying down a definition of co-operatives, criteria to determine a genuine co-operative society, rules against demutualisation, improved governance, a policy for registration of co-operatives, minimum requirement of capital, delinking management with ownership of co-operatives, pre-registration audit and membership, a minimum contents of bye-laws etc. What actions have been taken on these recommendations?

REPLY: The definition of Co-operatives have been long laid in India and demutualisation has not taken place in the co-operative sector in India for a long time, except in some very rare occasions. Mostly, the Government insist on professional management of co-operatives which are helping a lot.

### **Globalization and Co-operative Advantages**

**Question 6:** Following the recommendations of the 8th Conference, has your Government made efforts to adopt a proactive, pro-poor initiative, a high standard of co-operative governance more effective than corporate governance and active involvement of co-operatives in W.T.O. round of discussions to protect the interests of small producers and farmers?

REPLY: As we mentioned as answer to question No.1, globalization has had its set of advantages and disadvantages to co-operatives. With the advent of globalisation, co-operatives were able to offer services and do business in a more organised way. However, there has never been any retrenchments in the co-operative sector. As such globalization has been a boon as well as nemesis to the co-operative sector.

### **Contradictions and dilemmas**

**Question 7:** The 8th Conference has thrown up certain issues, seemingly conflicting which need to be

resolved such as balancing Government assistance with autonomy of co-operatives, engaging external directors to overcome deficiency in leadership in co-operatives, compensating co-operatives for extra (social) costs in implementing poverty alleviation programmes, exploring strategic partnership with private corporate sector etc. Have your Government or organisation formulated their views on these issues?

REPLY: While contradictions do exist, the Governments are doing their best to balance by insisting on certified auditors, professional management, less control over co-operatives, etc. While we feel more is there to be done, at least we feel that the government is doing quite a lot to improve the situation.

REPLY: We at the FISHCOPFED feel that the Government of India and the provincial governments are offering much support to the co-operative system of business and enterprises. While some amount of controls are being exercised by the government, those

are unavoidable since quite a large amount of share capital is held by governments in co-operatives.

By and large, the co-operative sector is entering into more and more process oriented enterprises, especially in food sector and this is definitely helping the co-operatives on a large scale.

We believe if the Governments are able to provide more social security support to the public at large and to co-operatives especially, this will go a long way in mitigating more of the vicious situations.

We further believe that it would be in the interest of co-operatives as a whole, in any sector, especially in the fishery sector, if the government is able to control its influence and provide more autonomy.

While political problems are not there much, many of the political parties and local politicians are playing a very bad role, which are detrimental to co-operatives, which could be curtailed.

## ANNEXURE IV Comparative Credit Study

### Implementation of the Revival Package for Short Term Rural Co-operative Credit Structure (STCCS) Status as on 31 July, 2011

Sr.	Issue	Status
1	Execution of MoUs	Twenty-five State Governments have signed the Memorandum of Understanding (MoU) with Gol and NABARD, viz. Andhra Pradesh (AP), Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, J & K (J&K), Jharkhand, Karnataka, Madhya Pradesh (MP), Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Rajasthan, Orissa, Punjab, Sikkim, Tamil Nadu (TN), Tripura, Uttarakhand, Uttar Pradesh (UP), and West Bengal (WB). This covers more than 96% of the STCCS units in the country.
2	Special Audit of PACS	Guidelines and formats for conduct of Special Audit were circulated to all participating States. Further, training for Master Trainers and Departmental Auditors for conduct of special audit of Primary Agriculture Co-operative Societies (PACS) has been completed in all 25 implementing States. So far, Special Audit has been taken up in 80,773 PACS and completed in 80,639 PACS:

Status of Special Audit of PACS .

States	CCBs in the State	PACS! LAMPS	Spl. Audit in PACS		Vetted by DIICs (No. of PACS/ DLICs)	SLIC Recommendation	
			Started	Completed		No. of PACS	Gol share (-cr)
Andhra Pradesh	22	2,942	2,938	2,938	2643/22	2643	1609
Arunachal Pr. \$	None	32	32	32	0	32	8
Assam \$	None	760	755	755	0	681	58
Bihar	25	6059	6049	6049	6049/25	6049	323
Chhattisgarh	6	1,333	1,333	1,333	1333/ 6	1333	338
Gujarat	18	7,698	7,176	7,176	7174/18	7174	577
Haryana	19	585	585	585	585/19	585	634
J & K	3	614	582	519	519/3	519	31
Jharkhand	9	1,333	1,333	1,286	1285/8	965	72
Karnataka	21	4,727	4,474	4,474	4474/21	4474	602
Madhya Pradesh	38	4,523	4,520	4,520	4520/38	4520	1502
Maharashtra #	30	20,914	20,813	20,813	20813/30	20813	2369
Manipur \$	None	208	208	208	0	208	13
Meghalaya \$	None	179	179	179	0	179	11
Mizoram \$	None	326	201	177	0	133	3
Nagaland \$	None	899	840	840	0	0	0



Orissa	17	2,732	2,726	2,726	2725/17	2725	643
Punjab	20	3,480	3,361	3,361	0	0	0
Rajasthan	29	5,259	5,153	5,153	5153/28	5153	434
Sikkim		166	152	152	0	152	2
Tamil Nadu	22	4,540	4,337	4,337	4296/22	4296	1442
Tripura \$		268	268	268	0	268	69
Uttarakhand	10	753	729	729	729/10	0	0
Uttar Pradesh	50	7,479	6,740	6,740	6740/50	6740	1085
West Bengal	17	5,740	5289	5289	5230/17	4502	231
<b>Total: 25</b>	<b>355</b>	<b>83,549</b>	<b>80,773</b>	<b>80,639</b>	<b>74268/334</b>	<b>74144</b>	<b>12056</b>

All PACS/LAMPS affiliated to CCBs branches of SCB and ceded to CBs/RRBs @ The 2,441 PACS in 2004 were reorganised into 586 in 2006 # excluding Mumbai CCB \$ No CCB, only SCB \*\* Regular Audit completed only in 5310 PACS out of which special audit completed in 5256 PACS

The Special Audit could not be taken up in some PACS in some of the States due to non availability of complete records as on 31 March, 2004 as also non completion of regular audit by departmental auditors as on 31 March 2004, However, the State Level Implementing Committees (SLICs) in Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, J&K, Karnataka, MP, Maharashtra, Meghalaya, Orissa, Rajasthan, Sikkim, Tamil Nadu, Tripura, UP & WB have treated the Spl audit in PACS as fully completed, Spl. audit of PACS is completed but SLIC approval is yet to be taken in Arunachal Pradesh, Manipur and Nagaland. The Spl. audit is expected to be completed shortly in Jharkhand & Mizoram.

### 3 A. Special Audit of Central Co-operative Banks (CCBs)/State Co-operative Banks (SCBs)

Special Audit of CCBs completed in twelve States as given below

Sl.	States	CCBs in the State	Spl. Audit Completed	Vetted by DLICs (No. of)	Approved by SLIC (No. of CCBs)
	Andhra Pradesh	22	22	22	22
	Bihar	25	22	22	22
	Chhattisgarh	6	6	6	6
	Gujarat	18	18	18	4
	Haryana	19	19	19	19
	J&K	03	03	03	03
	Madhya Pradesh	38	38	38	38
	Maharashtra	30	30	30	30
B	Orissa	17	17	17	17
	Rajasthan	26	26	26	26
	Uttar Pradesh	50	50	50	50
	West Bengal	17	17	17	15
	<b>Total</b>	<b>271</b>	<b>268</b>	<b>268</b>	<b>252</b>

\* 3 CCBs under liquidation Special Audit of CCBs is in progress in Jharkhand, Karnataka and Tamil Nadu, Eight States in N.Eastern region do not have CCBs as they have a two tier structure. Punjab and Uttarakhand have not amended the CSA, special audit not yet taken up,

### Special Audit of SGB

Spl. Audit of SGBs completed in 13 States VIZ., Arunachal Pradesh, Assam, Chhattisgarh, Haryana, MP, Maharashtra, Manipur, Mizoram, Orissa, Rajasthan, Tripura, Uttar Pradesh and West Bengal. Special Audit of SCB is completed but pending SLiC approval in 4 States viz., AP, J & K, Meghalaya and Sikkim. It is in progress in Bihar, Gujarat, Karnataka; Nagaland and Tamil Nadu SCBs. No SCB in Jharkhand. Punjab and Uttarakhand have not amended the CSA, special audit not yet taken up.

4 Release of Recapitalisation Assistance an amount of ~. 8992.36 crore has been released by NABARD as Gol share for recapitalisation of 53,026 eligible PACS in sixteen States, 1510 ineligible PACS affiliated to 30 CCBs in three States and 13 CCBs in Orissa, while the State Govts. have released ~ 854.34 crore as their respective share. The details are as under:

A Release of Recap Assistance to PAGS that meet the eligibility criteria An amount of ~. 8511.65 crore has been released by NABARD as Gol share for recapitalisation of 53,026 eligible PACS in sixteen States, while the State Governments have released ~ 823.71 crore as their respective share. The details are given overleaf.

### Release of Recap Assistance to PAGS that meet the Eligibility Criteria (₹ crore)

Sl.	States	No. of PACS	Gol Share	St Govt Share	CCS Share	Total Recap Asst.
1	Andhra Pradesh	2580	1589.67	215.98	166.91	1972.56
2	Assam	368	43.63	6.43	7.85	
3	Bihar #	6633	265.06	24.12	74.06	363.24
4	Chhattisgarh	933	162.69	25.97	64.88	253.54
5	Gujarat	2330	333.47	27.33	25.00	385.80
6	Haryana	547	470.50	22.13	34.13	526.76
7	Karnataka	4252	556.54	86.73	69.18	712.45
8	Madhya Pradesh	3134	985.09	69.92	106.12	1161.13
9	Maharashtra	14769	1284.19	32.26	260.41	1576.86
10	Orissa	2528	594.69	67.54	49.04	711.27
11	Rajasthan	3275	318.02	13.05	48.89	
12	Sikkim	135	1.64	0.18	0.07	1.89
13	Tamil Nadu \$\$	3355	1078.91	147.58	157.05	1383.54
14	Tripura	261	69.17	7.71	2.11	78.99
15	Uttar Pradesh	4989	623.41	61.19	440.51	
16	West Bengal	2937	134.97	15.59	11.67	162.23
<b>17</b>	<b>Total</b>	<b>53026</b>				

# PAGS Reorganised after conduct of spl. Audit \*PAGS given two years time to bring in their share

\$\$ Refund of 0.49 crore received

## B. Release of Recap Assistance to PACS that do not meet the eligibility criteria

Recapitalisation assistance has been released to 30 CCBs in two States for 1510 ineligible PACS affiliated to them, the details of which are given as under: (crore)

Sl.	States	No. of CCBs	No. of ineligible PACS	Gol Gol	SG share	PAC share	Total
1	Gujarat	17	780	234.31	10.96	0	245.27
2	Maha	1	534	130.45	3.43	0	133.88
3	Orissa	12	196	48.08	3.94	0	52.02
	<b>Total</b>	<b>30</b>	<b>1510</b>	<b>412.84</b>	<b>18.33</b>	<b>0</b>	<b>431.17</b>

Release of Recapitalisation Assistance to CCSs An amount of ₹ 67.87 crore has been released by NABARD as Gol share for recapitalisation of 13 CCBs in Orissa. The State Government has released (12.30 crore its share. Details are as under: ₹ crore)

Sl.	State	No. of CCBs	Gol Gol	St Govt share	CCS share	Total Asst.	Recap
1	Orissa	13	67.87	12.30	110.70	190.87	

5	Amendments to Co-operative Amendments to Co-operative Amendments to Co-operative Amendments to Co-operative Societies Act	Twenty-one States have amended their Societies Act respective of State Co-operative Societies Act through Legislative Process viz. Andhra Pradesh, Arunachal Pradesh, Bihar, Gujarat, Haryana, Karnataka, Jammu & Kashmir, Jharkhand, Madhya Pradesh, Maharashtra, Manipur, Mizoram, Meghalaya, Nagaland, Orissa, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh and West Bengal. The State Govt of Chhattisgarh has taken a Cabinet decision approving the amendments in respect to the reform measures, as their earlier State Co-operative Societies Act has been submitted to Hon'ble President for assent. The State Govt. of Assam has also approved the proposed amendments to ESA 2007, pending the actual amendment which is likely to take some more time in view of the statutory requirement for obtaining Presidential Assent for the earlier amendments suggested. Draft amendments to Punjab and Uttarakhand CSAs have been vetted by NABARD and are under consideration of the respective State Govts. Punjab and Uttarakhand have not amended their respective CS Act despite repeated follow up.
5A	Amendments of Rules and Adoption of Bye-laws	Consequent upon the amendment to the State Coop Societies Act, Bihar, Karnataka, Madhya Pradesh Orissa. Tamil Nadu. Uttar Pradesh and W.Bengal have amended the respective State Coop Societies Rules in tune with the amended Acts. In Maharashtra. Rules have been framed and notification is likely to be issued after clearance from Law & Judiciary, Dept of Govt of Maharashtra. The draft Rules of Andhra Pradesh, Tripura. Gujarat, Jharkhand. Meghalaya and Sikkim have been examined by NABARD and sent to the respective State Govts. for further necessary action at their end. Amendment to rules is under process in Mizoram. Bye-Laws of SCB have been amended in Andhra Pradesh, Bihar, Haryana Karnataka. MP, Maharashtra, Mizoram and Tamil Nadu and is in progress in Arunachal Pradesh, Meghalaya, Orissa and Uttar Pradesh. Bye-laws of CCBs have been amended in Gujarat, Karnataka, Maharashtra, and Tamil Nadu and is in progress in Andhra Pradesh, Bihar, Haryana, Madhya Pradesh, Orissa and Uttar

		Pradesh, The bye laws of PACS/LAMPS have been amended in Andhra Pradesh, Arunachal Pradesh, Bihar, Gujarat, Jharkhand, Karnataka, Maharashtra, Tamil Nadu and Tripura, Amendment of bye-laws of PACS is in progress in Haryana, Madhya Pradesh, Orissa and Uttar Pradesh., The process of amendment of Rules and bye-laws has been initiated in other implementing States,
5B	Status of conduct of Statutory Audit by CAs in CCBs/SCB	NABARD has given a panel of Chartered Accountants (CAs) to eighteen States viz., Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Meghalaya, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh and West Bengal for conduct of Statutory Audit of SCBs and CCBs as on 31 March 2010, Audit as on 31 March 2010 is completed in all 18 States. Further, panel of Chartered Accountants (CAs) for Statutory Audit of SCBs/CCBs as on 31 March, 2011 has been given to 24 States viz, Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, J&K, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Rajasthan. Orissa, Punjab, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, and West Bengal

### 5 C Status of Elected Board in CCS Structure:

Sl.	Name of States	SCB	No. of CCBs		No. of PACS	
			Total	with Elected Board	Total	with Elected Board
	Assam	1	No CCB	No CCB	755	680
	Bihar**	-	25	3	8463	8463
	Chhattisgarh	1	6	6	1333	1333
	Gujarat	1	18	16	7845@	7797@
	Haryana	1	19	18	604	594
	J&K	-	3	1	612	58
	Jharkhand	No SCB	9	-	1332	1269
	Karnataka	4	21	20	4722	4513
	Madhya Pradesh	1	38	36	4523	4458
	Maharashtra \$	1	30	27	20914	17234
	Meghalaya \$	1	No SCB	No SCB	179	179
	Mizoram \$	1	No SCB	No SCB	326	177
	Orissa	1	17	17	2726	2726
	Punjab	1	20	15	3480	3352
	Rajasthan	1	29	29	5255	5255
	Sikkim \$	1	No SCB	No SCB	166	166
	Tripura \$	1	No SCB	No SCB	268	266
	Uttarakhand	1	10	10	753	753
	Uttar Pradesh	1	50	48	6740	6686
	West Bengal	1	17	16	5240	4630

\$ No CCB, Only SCB AA Election process is on in 1032 PACS @ including others such as trading societies

\*\*Data on elections to PACS Is in respect of re-organised PACS. Elections stayed in SCB.

Elections are yet to be held in AP, Arunachal Pradesh, Manipur, Nagaland and Tamil Nadu.

5 D	<p>Status of Professional Directors as per Fit &amp; Proper Criteria:</p> <p>Professional Directors are put in place as per Fit and Proper Criteria in Andhra Pradesh, Gujarat, Haryana, Karnataka and Madhya Pradesh.</p> <p>Eleven of the 22 CCBs in Andhra Pradesh, 15 out of 18 CCBs in Gujarat, 16 out of 19 CCBs in Haryana, 20 out of 21 CCBs in Karnataka, 29 of the 30 CCBs in Maharashtra, 15 out of 17 CCBs in Orissa, 27 out of 29 CCBs in Rajasthan and 41 out of 50 CCBs in Uttar Pradesh have Professional Directors as per Fit and Proper criteria on their Boards</p>
5 E	<p>Status of Chief Executive Officers (CEOs) as per Fit &amp; Proper Criteria:</p> <p>The CEOs of Andhra Pradesh, Haryana, Karnataka, Meghalaya, Nagaland, Orissa, Sikkim, Tripura and West Bengal SCBs are as per Fit and Proper Criteria.</p> <p>In CCBs, CEOs are as per Fit and Proper criteria in all 22 CCBs in Andhra Pradesh, 13 out of 18 CCBs in Gujarat, 1 out of 19 CCBs in Haryana, 7 out of 21 CCBs in Karnataka, 26 out of 38 CCBs in Madhya Pradesh, 29 of the 30 CCBs in Maharashtra and 8 out of 17 CCBs in Orissa. The remaining CCBs in Haryana have advertised for recruitment of CEOs as per Fit &amp; Proper criteria and the selection process is under way.</p>
6	<p>HRD-Training</p> <p>Nine modules have been developed so far for capacity-building of the staff and the Board of the STCCS.</p> <p>For conduct of training under Modules I &amp; II training has been imparted to 259 Master Trainers from 23 states. These master trainers have trained 2081 District Level Trainers to conduct field level training programme for PACS. So far, 82,257 PACS secretaries have been trained in seventeen States and 1,18,200 elected members of PACS have been trained in fourteen States.</p> <p>A training module has been designed for PACS Secretaries focusing on Common Accounting System (CAS) and Management (MIS). So far, 76,153 PACS functionaries have been provided training on CAS/MIS.</p> <p>Training for auditors of the Audit Department and supervisors and inspectors of CCBs on CAS in PACS is under progress and so far 4,302 auditors/supervisors have been trained. These officials are to provide hand holding support to the PACS in CAS.</p> <p>A training module for Board of Directors of SCBs and CCBs has been designed. A total of 2,151 board members of CCBs have been trained from fourteen States.</p> <p>Training programmes for CEOs of CCBs of 5 days duration have been conducted for identified 368 CEOs of CCBs from 16 States and CEOs of 6 SCBs in NER States, at BIRD, Lucknow to enable them to recognize the increased business opportunities in the changed scenario.</p> <p>A five-day campus orientation programme for Branch Managers and Senior Officers of CCBs/SCB for business development/ diversification has been developed and 4797 Branch Managers/Senior Officers of CCBs/SCB have been trained.</p> <p>Two new programmes on (i) Business Development and Profitability for PACS Secretaries (Module VIII) (ii) Orientation Programme for Supervisors Inspections of PACS (Module IX) have been developed during 2010-11. 116 Master Trainers from 19 implementing States were trained at BIRD, Lucknow on Module VIII &amp; IX. The Master Trainers trained under BOP have trained 556 DITs from 6 implementing States who have in turn, trained 36,178 PACS staff in 10 States.</p>

7	Common Accounting System (CAS) and MIS for PACS	<p>Common Accounting System (CAS) for PACS has been designed and Manual on CAS has been circulated to the RCS of all implementing States, While the process of adoption of CAS is underway in 16 States, in the other States where MoUs have been signed the RCS concerned have been advised to adopt CAS on the lines suggested by NABARD.</p> <p>CAS/MIS has been introduced from 01 April 2009 in almost all PACS in 10 states viz., AP, Chhattisgarh, Gujarat, Haryana, MP, Maharashtra, Orissa, Tamil Nadu, UP and W. Bengal. In Assam CAS/MIS has been introduced partially and efforts are being made to stabilise it In Karnataka, CAS/MIS is expected to be adopted from 2010-11. In MP, 4,036 PACS affiliated to 35 CCBs have implemented CAS. In Maharashtra 15,856 PACS have implemented CAS w.e.f 01 April 2009. In UP, 6500 PACS have introduced CAS as on 01 April, 2009. 5486 PACS in UP have already prepared their Financial Statements for the year ended 31 March, 2009 as per CAS and 3753 PACS have prepared for the year ended 31 March, 2010.</p> <p>Of the eleven States mentioned above, ten (except Madhya Pradesh) have printed the necessary registers for implementing CAS/MIS. In Madhya Pradesh the existing stationery with necessary modification as required for CAS/MIS is being used. Printing of registers is completed in Arunachal Pradesh, Jharkhand almost all districts and Sikkim Printing of registers is in progress in Bihar, Karnataka, Mizoram and Rajasthan,</p> <p>A standardised set of MIS for PACS has been designed and circulated among RCS of implementing States to aid decision-making at PACS and at all other levels including higher financing agencies, regulators and other agencies. A Handbook on MIS has also been issued. MIS is generated as per new formats in 3,851 PACS in Maharashtra and 1735 PACS in UP.</p> <p>As mentioned above apart from training the PACS functionaries under new CAS/MIS Co-operative</p>
8	Computerisation	<p>Guidelines on computerization of CAS and MIS for PACS were Issued in two separate modules: (i) development, procurement &amp; deployment of software including training on software, and (ii) procurement and installation of hardware,</p> <p>In Haryana, Software Development work is being done by M/s Nelito Systems Ltd. Based on open tendering process, SLIC has awarded the hardware and software deployment contract for roll out of the software in 325 PACS to M/s HCL Infosystems. Training of Software Deployment Agency (SDA) by Software Development Vendor (SDV) is completed. Installation of hardware in all 325 PACS is completed, Training of PACS staff by SDA is in progress, The SLIC has approved the tendering for SDA &amp; procurement &amp; installation of hardware in respect of remaining 227 eligible PACS in the State, As in the first phase, the HSCB would be the nodal agency for computerization. Tenders for hardware floated for 279 PACS under Phase II.</p> <p>In Tamil Nadu, the software developed by Onward eservices has been tested in 2 PACS for conformity with the requirements under CAS/MIS. The roll out of the software is in progress, M/s Onward eservices and M/s Wipro Infotech have been identified for providing training to PACS staff, The training of PACS staff is in progress in all the districts.</p> <p>In Andhra Pradesh, the State Govt has engaged Co-option Technologies for IT enabled services in PACS, wherein CAS/MIS would be incorporated. So far 603 PACS have been computerised and MIS has been generated in aU the PACS. Under Phase II, 575 PACS have been finalised for computerisation and data migration process is under progress.</p>

		<p>As per decisions of the National Implementing and Monitoring Committee (NIMC), NABARD has finalised the Core Software and sent a CD containing the software to all 19 States that have opted for the Core software viz., Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Jharkhand, Karnataka, MP, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Rajasthan, Sikkim, Tripura, UP and W Bengal. Preceding this, the revised guidelines for rollout of the software and training of PACS staff &amp; hardware procurement were sent to all implementing States.</p> <p>Dry run of the software is in progress in Assam, Chhattisgarh, Maharashtra, Orissa, Rajasthan and West Bengal. Work order for dry run has been issued by Gujarat. Madhya Pradesh and Uttar Pradesh. The steps for dry run are initiated in the remaining States.</p>
9	Monitoring	<p>For guiding and monitoring the implementation of the package at national level, National Implementation and Monitoring Committee (NIMC) has been constituted. So far nine meetings of the NIMC have been held. The last meeting was held on 27 January, 2011, At State level, the progress is being monitored by State Level Implementing and Monitoring Committee (SLIC) and at district levels by DCCB level Implementation and Monitoring Committees JDLICs.</p> <p>At NABARD level, review meetings of Regional Offices of Implementing States are held periodically.</p>
10	Expenditure incurred under Package	Other expenditure (other than recapitalisation assistance) of ₹202.69 crore has been incurred as on 31 July, 2011 towards Special Audit, Human Resources Development, Technical Assistance and Implementation Costs.
11	Support from Multi-lateral Agencies	<p>World Bank: An agreement has been entered into between Gol and World Bank on 2 November, 2007 for financial assistance of US \$ 600 million to Gol for implementation of Revival Package in five States viz., Haryana, Gujarat, Orissa, Uttar Pradesh and West Bengal. World Bank has so far released US \$ 381.5 million to Gol.</p> <p>ADB: Gol had, on 11 December, 2006 entered into an agreement with Asian Development Bank for availing financial assistance of US \$ 1 billion for implementing the Revival Package. Asian Development Bank (ADB) has so far released US \$ 800 million to Gol for implementation of the programme in five States, viz. Andhra Pradesh, Bihar, Rajasthan, Madhya Pradesh and Maharashtra.</p> <p>KfW: KfW and Gal have entered into an agreement on 20 December 2007 for financial assistance of € 130 million to Gal for implementation of the Revival Package in 5 States along with ADB viz., Andhra Pradesh, Bihar, Rajasthan, Madhya Pradesh and Maharashtra. KfW has so far released € 91 million to Gol.</p>
12	Status regarding Task Force Report on LTCCS	A Revival Package for Long Term Co-operative Credit Structure (LTCCS) has been worked out by Gol and discussed with State Governments. The Task Force constituted by Gol to review the need for the Revival Package for L TCCS has since submitted its report to Gol on 25 February, 2010.
13	Special Package for NER States	Gol has, on 25 November, 2008, approved special dispensation and relaxations under the Revival Package for STCCS in North Eastern Region (NER) States. The relaxations include permission to the State Govts. to contribute equity in excess of the limit of 25% if the equity infusion is required by the SCB to comply with Section 11(1) of the BR Act, 1949 (AACS); grant assistance for HRD initiatives will be for four years and will culminate with the completion of implementation period; the financial package covers all societies doing agri credit business, irrespective of their recovery levels; and the financial package will be shared by the Gol and State Govt. in the ratio of 90: 10, irrespective of the origin of losses and existing commitments.

## ANNEXURE V

### Model Co-operative Law-India

..... Mutually Aided Co-operatives Bill  
..... (Bill No. .. of .....

#### PREAMBLE

An Act to provide for the formation and transformation of co-operatives as self-reliant, self-help, mutual-aid, autonomous voluntary democratic, business enterprises, Jointly owned managed and controlled by their members for their economic and social betterment through the financially gainful provision of core services which fulfil a common need felt by them and for the matters connected therewith or incidental thereto, be it enacted by the Legislature of the State of

..... In the ..... year of the Republic of India, as follows:

#### CHAPTER I

##### PRELIMINARY

##### 1. Short title, extent and commencement

- (1) This Act may be called the ..... Mutually Aided Co-operative Societies Act.....
- (2) It extends to the whole of the State of .....
- (3) It shall come into force on such, date as the government may, by notification in the ..... gazette, appoint.

##### 2. Definitions

In this Act, unless the context otherwise requires.

- (1) "arbitral tribunal" means an individual or a group of individuals not exceeding five, constituted by the general body of a co-operative for settlement of disputes in accordance with this Act and the articles' of that co-operative;
- (2) "articles means the articles of association that is, the agreement as originally entered into by the promoters of a co-operative or as amended from time to time by the general body of that co-operative, in accordance with this Act. for the management of the affairs of that co-operative,

(3) "board" means the governing body of a co-operative by whatever name called to which the direction of the affairs of the co-operative is entrusted by the articles of that co-operative:

(4) "chief executive" means that individual, in paid or honorary capacity, nominated or elected or appointed by the board of a co-operative from among members, directors or others, in accordance with the articles, who is the person to sue or be sued on behalf of the co-operative and who performs such functions and has such responsibilities as are specified in this Act & the articles and as are assigned by the board.

(5) "common need" means that specific economic need which is common to all those who wish to form a co-operative, or have taken membership In a co-operative and which the co-operative is expected to fulfill through the provision of core services,

(6) "co-operative", where used as a noun means a self-reliant self-help, mutual-aid autonomous voluntary democratic, business enterprise Incorporated under this Act. as a mutually aided co-operative society which is jointly owned: managed and controlled by its members for their economic and social betterment through financially gainful provision of core services which fulfill a common need felt by them

(7) "co-operative principles" means the principles Included in the Statement of co-operative identity specified in Schedule A of this Act,

(8) "co-operative society" means a co-operative society registered under the Co-operative Societies Act 19 .

(9) "core services" means those central services provided to members, through which a co-operative Intends to meet that economic need common to all members, for the fulfilment of which the co-operative was established, and the fulfilment of which is expected to result in



- the economic and social betterment of members,
- (10) "court" means the principal civil court of original jurisdiction in a district, and includes the high court in exercise of its original civil jurisdiction;
  - (11) "deficit" means the excess of expenditure over income arrived at, at the end of a financial year, after the payment of interest, if any, on share capital;
  - (12) "deficit charge" means the amount collected from/debited to the accounts of members, in proportion to the use and/or non-use of the services of the co-operative, in accordance with the articles and resolutions of the general body, to meet deficit, if any, in whole or part;
  - (13) "delegate" means a member nominated by a co-operative to represent its interests at the time of promotion of a secondary co-operative, and/or at general meetings of a secondary co-operative of which the co-operative is a member;
  - (14) "director" means a member-elected in accordance with the articles, to the board of the co-operative;
  - (15) "financial year" means the twelve month accounting period as provided for in the articles of a co-operative, for which the annual statements of accounts are prepared for placement at the annual general meeting of that co-operative;
  - (16) "general body", in relation to a co-operative, means all its members;
  - (17) "general meeting" means a meeting of the general body called and conducted in accordance with the provisions of this Act and the articles of the co-operative;
  - (18) "government" means the Government of .....
  - (19) "member" means a person who is in need of and is able to use the core services of a co-operative and who is admitted and continues as a member of the co-operative, in accordance with the provisions of this Act and the articles of that co-operative, and includes a "member-co-operative" :
    - (20) "member-co-operative" means a primary or secondary co-operative which is in need of and is able to use the core services of a secondary co-operative, and which is admitted as a member of that secondary 'co-operative, in accordance with the provisions of this Act and the articles of that secondary co-operative;
    - (21) "memorandum" means the memorandum of association, that is the document expressing the desire of the promoters to form themselves into a co-operative;
    - (22) "office-bearer" means a director elected by the board of a co-operative to any office of such co-operative in accordance with its articles,
    - (23) "ordinary resolution" means a resolution of the general body which has the approval of the majority of members with the right of vote, present and young at the general meeting;
    - (24) "potential member" means a person who needs the core services being offered by a co-operative, may be accessing them, and is eligible to be a member of that co-operative: but is not yet its member
    - (25) "president" means a director who is elected by the board to preside over its meeting and the meetings of the general body, and to perform such other functions and have such responsibilities as are specified in' this Act & this articles and as are assigned by the board.
    - (26) "primary co-operative" means a co-operative whose members are individuals,
    - (27) "promoter" means a person who has signed the memorandum for incorporation of the co-operative
    - (28) "registrar" means the individual appointed as such under this Act, and includes any individual entrusted with the performance of functions and the discharge of responsibilities of the registrar under this Act.
    - (29) "representative" means a person elected by a section of members, in accordance with the articles to participate on their behalf at the representative general body meeting;
    - (30) "representative general body" , in relation to a co-operative, means all the representatives:

- (31) "representative general meeting" means a meeting of the representatives, called and conducted in accordance, with the provisions of this Act and the articles of the co-operative;
- (32) "secondary co-operative" means a co-operative whose members are co-operatives;
- (33) "special resolution" means a resolution of the general body, at a meeting called with at least fifteen days notice which has the approval of more than half of all the members of the co-operative with right of vote at the time of the general meeting, or of at least two-thirds of members present with right of vote in the general meeting whichever is less;
- (34) "surplus" means the excess of income over expenditure, arrived at, at the end of the financial year after the payment of compensation, if any, on share capital and before the payment of surplus refund, and allocation of reserves and other funds;
- (35) "surplus refund" means the refund from the surplus given/credited to the accounts of members in proportion to their use of the services of the co-operative, in accordance with the articles and resolutions of the general body;
- (c) a true copy of the resolution passed at a meeting of the promoters adopting the articles;
- (d) a declaration from an advocate practising in the High Court or a chartered accountant practising in the state that all the requirements of this Act have been complied with by the promoters in respect of registration and matters precedent and incidental thereto, and the registrar may accept such declaration as evidence of such compliance.
- (3) The registrar shall register the memorandum and also take on record the articles and communicate by registered post a certificate of incorporation as specified in Schedule C and a certified copy of the memorandum and of the articles signed by him/her within sixty days from the date of presenting the memorandum to such person as is specified in the memorandum;
- provided that the registrar has no reason to believe that the requirements of this Act in respect of registration and related matters have not been complied with.
- (4) If the conditions laid down in sub-section (3) are not fulfilled the Registrar shall communicate by registered post the order of refusal together with the specific reasons therefore, within sixty days from the date of presenting the memorandum, to such person as is specified in the memorandum;

## CHAPTER II

### INCORPORATION

#### 3. Incorporation of a new co-operative

- (1) A memorandum, in the form provided for in Schedule B, may be presented to the registrar by hand or by registered post, signed by seven or more individuals who wish to form a primary co-operative, or by the delegates of two or more co-operatives who wish to form a secondary co-operative.
- (2) Every such memorandum shall be in such form containing such particulars as are specified in Schedule B, and shall be accompanied by
- (a) a declaration by the promoters of their commitment to the principles of cooperation as provided for in Schedule A;
- (b) the articles of the proposed co-operative as adopted by the promoters;
- provided that no order of refusal shall be passed except after giving an opportunity of being heard to the promoters through the person specified in the memorandum
- (5) Where a co-operative is registered under sub-section (4) the certificate of incorporation signed and sealed by the Registrar shall be conclusive evidence that the co-operative is duly registered under this Act, unless it is proved that the incorporation of the co-operative has been cancelled.
- (6) Where within seventy five days of presenting the memorandum for incorporation the person specified in the memorandum receives neither the certificate of incorporation nor the order of refusal the promoters may move the court for redressal

- (7) Notwithstanding anything the Co-operative Societies Act, 19\_\_\_, from the date of notification of this Act all new co-operative businesses, whose members are drawn from the state of \_\_\_\_ may be incorporated only under this Act.
- 4. Conversion of a co-operative society into a co-operative under this Act**
- (1) Notwithstanding anything In the Co-operative Societies Act, from the date of notification of this Act. any co-operative society registered and functioning under the Co-operative Societies Act. .... which is not in receipt of any share capital from the government at the time of seeking Incorporation under this Act. may opt for registration under this Act:
- provided that where the government does have share capital In a co-operative society desiring to convert Itself into a co-operative under this Act, the co-operative society shall, before opting for Incorporation under this Act. return such share capital to the Government and the Government shall accept such returned share capital
- (2) A memorandum for incorporation in the form provided for in Schedule D. may be presented to the registrar by hand or by registered post by the board of such co-operative society as wishes to convert itself into a co-operative under this Act, on the basis of a decision of a majority of members present at a meeting of the general body of the co-operative society, called with at least fifteen days notice and attended by at least one-fourth of total members or five hundred members, whichever is less
- (3) Every such memorandum shall be in such form containing such particulars as are specified in Schedule O, and shall be accompanied by
- (a) a true copy of the resolution of the general body expressing commitment to the principles of cooperation as provided for in Schedule A;
- (b) the articles of the proposed co-operative as adopted by the general body;
- (c) a true copy of the resolution of the general body adopting the articles of association;
- (d) a true copy of the declaration of the general body stating that the co-operative society is not in receipt of any share capital from the government or any other external source, and does not Intend ever to raise share capital from the government or any source other than members:
- (e) a true copy of the latest annual report and audited statement of accounts;
- (f) a true copy of the resolution of the general body, along with a financial statement duly certified by a chartered accountant indicating the adjustment of accumulated losses. If any, to various reserves and/or to the accounts of members as decided at the meeting;
- (g) a statement of the total number of members of the co-operative society with right of vote as on the day of the meeting, the members who attended the meeting, and the number who voted for the resolution:
- (h) a declaration from an advocate practising In the High Court or a chartered accountant practising in the state, that all the requirements of this Act have been complied with by the co-operative society in respect of registration and matters precedent and incidental thereto and the registrar may accept such declaration as evidence of such compliance.
- (4) The registrar shall register the memorandum and also take on record its articles and communicate by registered post a certificate of incorporation under this Act, as specified in Schedule E. and a certified copy of the memorandum 'and of the articles signed and sealed by him/her within sixty days from the date of presentation of the memorandum to such person as is specified in the memorandum,
- provided that the registrar has no reason to believe that the requirements of this Act in respect of registration and related matters have not been complied with
- (5) If the conditions laid down in sub-section (3) are not fulfilled the registrar shall communicate by registered post the order of refusal together with the specific reasons therefore within sixty days from the date presentation of the memorandum to such .person as is specified In the memorandum.
- provided that no order of refusal shall be passed except after giving an opportunity of

making representation on behalf of the co-operative society by such person as is specified in the memorandum.

- (6) Where a co-operative is registered under sub-section (4) the certificate of incorporation signed and sealed by the registrar shall be conclusive evidence that the association mentioned therein is a co-operative duly incorporated under this Act. unless it is proven that the incorporation of the co-operative has been cancelled.
- (7) Where within seventy five days of presentation of the memorandum for incorporation the person specified in the memorandum receives neither the certificate of incorporation nor the order of refusal the co-operative society may move the court for redressal.
- (8) Where a co-operative is registered under Sub-section (4). Its earlier registration as a co-operative society under the..... Co-operative Societies Act. shall stand cancelled and it shall forward within seven days of receipt of the incorporation certificate by registered post to the registrar of co-operative societies the original certificate of registration issued under the ..... Co-operative Societies Act. and a copy of the incorporation certificate under this Act, and the registrar of co-operative societies shall within seven days of receipt of such information, delete the name of such co-operative society from the register.
- (9) Where a co-operative is registered under sub-section (4) the assets and liabilities, the rights and obligations; and the members of the converting co-operative society shall become the assets and liabilities, the rights and obligations, and the members of the co-operative incorporated under this Act. and all transactions of the co-operative society shall be deemed to have been the transactions of the co-operative incorporated under this Act.
- (10) Where a co-operative society is in receipt of loan or guarantee from the Government at the time of presentation of memorandum for incorporation as a co-operative under this Act. it shall apply within a month of incorporation under this Act. to the Government for entering into an agreement with the Government

for the loan and/or guarantee provided by the Government failing which, it shall repay the entire amount due as loan to the Government or other source for which guarantee was made available by the Government within six months from the date of incorporation under this Act.

- (11) Where, in accordance with sub-section (10), an agreement is not entered into with the Government, for whatsoever reason, and a co-operative does not repay to the Government or other source such amounts as are due by it, it shall be competent for the Government to recover from the co-operative the amounts due to it or to any other source for which the Government stood guarantee in the same manner as for collection of arrears in land revenue.
- (12) Where a co-operative society which is a member of a secondary co-operative society is registered as a co-operative under this Act, the co-operative may continue to receive services from the secondary co-operative society and to participate in its affairs for a period of one year from the date of its incorporation under this Act. at the end of which period, its membership in that secondary co-operative society shall cease, unless, by then the secondary co-operative society, too, is registered under this Act.

provided that in all matters governing the internal functioning of the co-operative, this Act shall prevail whereas in matters governing the relationship of the co-operative with the secondary co-operative society to which it is affiliated, the ..... Co-operative Societies Act .....shall prevail.

provided further that even on cessation of membership the co-operative may continue to receive such services and have such business relations as are mutually agreed upon 'and permissible under the. Co-operative Societies Act. and the internal regulations of the secondary co-operative

- (13) Where a secondary co-operative society which has other co-operative societies as its members is registered as a secondary co-operative under this Act, It may continue to serve and have its affairs managed by its member co-operative societies for a period of one year

from the date of its incorporation under this Act. at the end of which period it may have as its members only such co-operatives as are registered under this Act.

provided that in all matters governing the relationship between the secondary copper plate and its member co-operative societies, the provisions of this Act shall prevail

**5. Co-operative to be body corporate**

The registration of the memorandum of a co-operative shall render it a body corporate by the name under which it is registered having perpetual succession and a common seal. The co-operative is entered to accoutre hold anti dispose of property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all other things necessary for the purpose for which it was constituted

**6. Articles of association**

- (1) The members constituting a co-operative, shall have a set of articles formulated and amended from time to time, not contrary to the provisions of this Act. and the affairs of the co-operative shall ~ managed In accordance with the terms, conditions and procedures specified in the articles of association,
- (2) Except on such specific matters which this Act has provided for and which the articles may further regulate on but not contravene, the functioning of every co-operative shall be regulated by its articles,
- (3) The articles may contain such matters as are decided by the members and shall be specific on all matters listed in Schedule D of this Act.

**7. Amendment of articles**

- (1) A co-operative may decide, by a special resolution, to amend its articles;  
provided that the text of such proposed amendment with reasons therefor shall be sent to each member, along with the notice of the general meeting at which the proposed amendment is to be discussed,
- (2) A copy of any amendment shall be forwarded by the co-operative by registered post to the registrar within a period of thirty days from the date' of the general meeting at which the resolution was passed.

- (3) Every such amendment forwarded to the registrar shall be signed by the president and two directors and shall be accompanied by the following particulars:
  - (a) a copy of the resolution agreeing to the amendment;
  - (b) the date of the general meeting at which the amendment was approved;
  - (c) the date on which the amendment shall come into effect
- (4) The registrar shall take on record the amendment immediately on receipt of the notice,

**8. Name of a co-operative**

- (1) A co-operative may not be registered with the same name as another co-operative business already registered under this Act or the .....Co-operative Societies Act. ....

provided that where a group of co-operatives decides to use a common name, the name of each such co-operative shall have its location or other distinguishing feature included in the name, provided further that the promoters seeking registration of a new co-operative under section 3 of this Act or seeking conversion of an existing co-operative registered and functioning under the, -Co-operative Societies Act ..... to be a co-operative under section 4 of this Act shall send notice of their intention to use a name to the Registrar along with the proposed names by registered post acknowledgment due and the Registrar shall within 15 days of receipt of this notice inform the promoters by registered post acknowledgement due about the availability of such names for use by the promoters

Provided however, that the co-operative complies with the procedure set out in subsection 1

- (2) Every co-operative shall display its full name in legible characters In a conspicuous position
  - (a) at every office or place at which it carries on business;
  - (b) in all notices and other official publications
  - (c) on all its contracts, business letters, orders for goods. Invoices statements of account receipts and letters of credit: and

- (e) on all bills of exchange, promissory notes, endorsements, cheques and orders for money it signs or that are signed on its behalf
- (3) Every co-operative shall display its full name in legible characters on its common seal
- (4) A co-operative with limited liability shall have as a suffix to or as part of its name, the expression "limited" or its equivalent in any Indian language
- (5) Nothing in sub-section (2) shall prevent a co-operative displaying more conspicuously than the full name, any shorter name by which it is popularly known and which is specifically provided for in the articles
- (6) Subject to sub-section (1) a co-operative may, by a special resolution change its name.
- (7) Where a co-operative changes its name, the registrar shall
  - (a) enter the new name of the co-operative in the register of co-operatives in place of the former name:
  - (b) make necessary changes in the memorandum and articles:
  - (c) issue a fresh certificate of incorporation with the necessary alterations:
  - (d) communicate to the co-operative by registered post, the fresh certificate of incorporation along with certified copies of the amended memorandum and articles.
- (8) The change of name of a co-operative shall not affect any rights or obligations of the co-operative or of any of its members or past members or render defective any legal proceedings by or against it: and any legal proceedings which might have been continued or commenced by or against the co-operative by its former name may be continued or commenced by its new name.
- (9) A co-operative which changes its name shall publish such change in name in a popular newspaper in the district in which its registered office is located.

**9. Location of registered office**

- (1) Every co-operative shall notify to the Registrar the full address of its registered office, within

ninety days of being registered as a co-operative

- (2) Every co-operative shall display in full the address of its registered office in legible characters in a conspicuous position:
  - (a) at every office or place at which it carries on business:
  - (b) in all notices and other official publications;
  - (c) on all its contracts, business letters orders for goods, invoices, statements of account receipts and letters of credit: and
  - (d) on all bills of exchange, promissory notes endorsements, cheques and orders for money it signs or that are signed on its behalf
- (3) A co-operative may, by a resolution of the board of directors, change the address of its registered office within the limits of the village/town/city mentioned in the memorandum:

provided, however that it shall give notice of such change to its members, creditors the registrar and to any secondary co-operative/s to which it may be affiliated within fifteen days of the board resolution, and to its members and creditors, at least ten days before effecting the change,

- (4) The registrar shall within fifteen days of receiving information from a co-operative take on record. In the register of co-operatives the full address of the registered office of a co-operative and any changes thereof

**10. Transfer of assets and liabilities**

- (1) A co-operative may, by a special resolution decide to transfer its assets and liabilities on whole or in part to any other co-operative which 'agrees, by a special resolution to receive such assets and liabilities
- (2) Where special resolutions are passed under sub-section (1) each co-operative shall within the following fifteen days give notice thereof together with a copy of the resolution passed by it to all its members and creditors, and notwithstanding any provision in the articles or contract to the contrary any member other than one who voted in favour of the proposed transfer of assets and liabilities and any creditor shall, during a period of fifteen days from the date of

- service of the notice upon him/her, have the option of withdrawing from the co-operative his/her interests, subject to the discharge of his/her obligations to the co-operative in accordance with any agreement entered into
- (3) Any member or creditor who does not exercise his/her option within the period specified in sub-section (2) shall be deemed to have agreed to the resolution.
  - (4) The special resolutions passed under sub-section (1) shall not take effect until
    - (a) all claims of the members and creditors of each co-operative who have exercised the option under sub-section (2) have been met in full or otherwise satisfied; and
    - (b) information about the transfer of assets and liabilities has been sent by the co-operatives concerned to the Registrar and his/her acknowledgement of receipt of the information received.
  - (5) When special resolutions passed under sub-section (1) take effect the resolutions shall be sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance.
  - (6) When a co-operative transfers the whole of its assets and liabilities to any other co-operative, under this section the incorporation of the co-operative shall stand cancelled and it shall be deemed to have been dissolved and shall cease to exist as a corporate body and the registrar shall delete the name of the co-operative from the register of co-operatives,
- 11. Division**
- (1) A co-operative may by a special resolution decide to divide itself (into two or more co-operatives).
  - (2) Where a special resolution is passed under Sub-section (1), the co-operative shall, within the following fifteen days, give notice thereof together with a copy of the resolution to all its members and creditors and, notwithstanding any provision in the articles or contract to the contrary, any member other than one who voted in favour -of the proposed division or creditor shall, during a period of fifteen days from the date of service of the notice upon him/her, have the option of withdrawing from the co-operative, his/her interests, subject to the discharge of his/her obligations to the co-operative.
  - (3) Any member or creditor who does not exercise his/her option within the period specified in sub-section (2) shall be deemed to have agreed to the resolution.
  - (4) A special resolution passed under 'Sub-section (1) shall not take effect until
    - (a) all claims of the members and creditors of the co-operative who have exercised the option under subsection (2) have been met in full or otherwise satisfied;
    - (b) information of the impending division and settlement of claims of members and creditors is sent to the Registrar and his/her acknowledgement, of receipt of the information is obtained, and
    - (c) the certificates of incorporation and the copies of the registered memorandum and articles of the result art co-operatives signed and sealed by the Registrar are issued in accordance with section 3.
  - (5) When a co-operative divides itself into two or more co-operatives under this section, the incorporation of the co-operative shall stand cancelled and it shall be deemed to have been dissolved and shall cease to exist as a body corporate and the registrar shall delete the name of the co-operative from the register of co-operatives
  - (6) When a co-operative divides itself into two or more co-operatives each member who has assented to the division shall be deemed to have become a member of that newly formed co-operative to which his/her interests were transferred, in accordance with the scheme of division approved by the general body
  - (7) When a special resolution passed under sub-section (1) takes effect the resolution shall be sufficient conveyance to vest the assets and liabilities in the transferees without any further assurance
- 12. Amalgamation**
- (1) Any two or more co-operatives may: by special resolutions decide to amalgamate themselves and form a new co-operative.

- (2) Where special resolutions are passed under sub-section (1) each co-operative shall within the following fifteen days give notice thereof together with a copy of the resolution passed by it to all its members and creditors, and notwithstanding any provision of the articles or contract to the contrary any member other than one who voted in favour of the proposed amalgamation or creditor shall during a period of fifteen days from the date of service of the notice upon him/her, have the option of withdrawing from the co-operative. his/her interests subject to the discharge of his/her obligations to the co-operative.
  - (3) Any member or creditor who does not exercise his/her option within the period specified in sub-section (2) shall be deemed to have assented to the resolution.
  - (4) The special resolutions passed under sub-section (1) shall not take effect until
    - (a) all claims of the members and creditors of each co-operative who have exercised the option under subsection (2) have been met in full or otherwise satisfied;
    - (b) information of the impending amalgamation and settlement of claims of members and creditors is sent to the registrar and his/her acknowledgement of receipt of the information is obtained; and
    - (c) the certificate of incorporation and a copy of the memorandum and articles of the resultant co-operative. Signed and sealed by the registrar, is issued in accordance with section 3.
  - (5) When two or more co-operatives amalgamate themselves into a new co-operative under this section, the incorporation of the co-operatives so amalgamated shall stand cancelled and they shall be deemed to have been dissolved and shall cease to exist as body corporates and the registrar shall delete the names of the co-operatives from the register of co-operatives.
  - (6) When two or more co-operatives amalgamate themselves into a new co-operative under this section, all the members of the co-operatives who have assented or are deemed to have assented to the amalgamation shall be deemed to have become members of the new co-operative
  - (7) When special resolutions passed under sub-section (1) take effect the resolutions shall be sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance
- 13. Merger**
- (1) A co-operative may by a special resolution decide to merge itself into any other co-operative which agrees by a special resolution to such merger
  - (2) Where special resolutions are passed under sub-section (1) each co-operative shall within the following fifteen days give notice thereof together with a copy of the resolution passed by it to all its members and notwithstanding any provision in the articles or contract to the contrary any member other than one who voted in favour of the proposed amalgamation, or creditor shall, during a period of fifteen days from the date of service of the notice upon him/her have the option of withdrawing from the co-operative his/her interests subject to the discharge of his/her obligations to the co-operative.
  - (3) Any member or creditor who does not exercise his/her option within the period specified in sub-section (2) shall be deemed to have assented to the resolution.
  - (4) The special resolutions passed under sub-section (1) shall not take effect until
    - (a) all claims of the members and creditors of each co-operative who have exercised the option under subsection (2) have been met in full or otherwise satisfied; and
    - (b) Information of the impending merger and settlement of claims of members and creditors is sent to the registrar and his/her acknowledgement of receipt of the information is obtained.
  - (5) When a co-operative merges itself into any other co-operative under this section the incorporation of the co-operative shall stand cancelled and it shall be deemed to have been dissolved and shall cease to exist as a corporate body and the registrar shall delete the name of the co-operative from the register of co-operatives.



- (6) When a co-operative merges itself into any other co-operative under this section the members of the first co-operative who assented to the merger shall be deemed to have become the members of the second co-operative
- (7) When special resolutions passed under subsection (1) take effect, the resolutions shall be sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance.

#### 14. Registration offices

- (1) For the purpose of registration of memorandum and articles of co-operatives under this Act, there shall be offices at such places as the government thinks fit
- (2) The government shall appoint a registrar of co-operatives and such other individuals as it thinks necessary to carry out the duties to perform the functions and to discharge the responsibilities of the registrar in pursuance of this Act
- (3) No individual appointed under this section shall, either during the course of his/her service with the government, or for a period of two years thereafter, serve in any capacity as an employee or as a director with any co-operative provided that such restriction shall not apply in reaction to a co-operative in which an individual appointed under this section is a member.

#### 15. Fee for services

- (1) The presentation of memorandum for Incorporation as a co-operative under this Act shall be accompanied by a fee amounting to one percent of the authorised equity capital of the proposed co-operative such, however, that the fee shall be not less than rupees five hundred and not more than rupees five thousand,
- provided that the fee shall be rupees five hundred in the case of such co-operative as do not intend to have any equity capital.
- (2) The fee to be paid by co-operative and others for various services rendered by the registrar under this Act may be fixed by the government and made known to the registrar, who in turn shall make such information available

to any interested person.

provided that any change in the fee payable for any service may be made by the government only after publishing in two leading vernacular newspapers or advertising in the vernacular electronic media inviting comment from those affected

### CHAPTER III

#### MEMBERSHIP

#### 16. Eligibility for membership in a co-operative

- (1) Any person who needs the services of a co-operative, expresses willingness to accept the responsibilities of membership meets such other conditions as may be specified in the articles of the co-operative, and is in a position to use the services, may seek membership and be admitted as a member:

provided that the co-operative is in a position to extend its services to the applicant.

- (2) Every applicant for membership and every member of a co-operative must keep each co-operative of which the person is a member informed of membership in other co-operatives and it shall be available to a co-operative to refuse admission or remove from membership on grounds among others, of dual or conflicting membership.

#### 17. Member admission

- (1) Admission to membership shall be made, in accordance with the procedure specified in the articles, only by an elected board.
- (2) Where admission is refused, the decision with the reasons thereof shall be communicated by registered post to such applicant within fifteen days of the date of the decision, or within sixty days from the date of application for membership, whichever is earlier
- (3) Where an applicant has been refused admission by the board or has had no response from the board, the applicant may request the board to place the matter for review by the general body. The board shall place the matter before the general body at its next general meeting and the decision of the general body shall be final, provided that the applicant shall

be given an opportunity to be heard by the general body

**18. Member withdrawal**

- (1) A member may at any time withdraw from membership in a co-operative in accordance with the procedure specified in the articles of that co-operative
- (2) Withdrawal from membership will nonetheless require the person to fulfil such obligations as were undertaken/assumed as a member under the provisions of this Act, the articles or other agreements

**19. Cessation of membership**

- (1) A person shall cease to be a member on death or on incurring such disqualification as may be specified in the articles
- (2) Every co-operative shall inform in the event of the death of the member the nominee of the member and in every other instance the member, about the cessation of membership and consequences thereof

**20. Termination of membership**

- (1) The board of a co-operative may terminate the membership of a person in accordance with its articles

provided the member has been given a fair opportunity to make representation at the board meeting as to why membership should not be terminated:

provided further that the accounts of the member shall be settled by the co-operative and dues if any paid to the member on termination of membership.

- (2) Where the membership of a person has been terminated by the board the person may request the board to place its decision for review by the general body. The board shall place the matter before the general body at its next general meeting and the decision of the general body shall be final:

provided that pending the decision of the general body the person may have only such transactions if any with the co-operative, as may be permitted by the board.

**21. Register of members**

- (1) Every co-operative shall maintain a register of

members. The name of every person admitted as a member of the co-operative, the date of admission, and the address of the member shall be entered in the register along with such other particulars as are deemed necessary by the board.

- (2) The name of every person whose membership has ceased, or was terminated or withdrawn shall be struck off the register.

**22. Co-operative education**

- (1) Every co-operative shall include in its budget annually, provision for expenses on member and potential member education and staff and board training for the development of the co-operative in accordance with the principles and practices of cooperation.

- (2) After registration, it shall be the duty of every co-operative to provide for education about its affairs, the memorandum and articles, and the rights and duties of members, to every person desiring to be a member before admitting the person as a member.

- (3) Any balance under the budget head provided for under sub-section (1) shall be transferred at the end of the year into a co-operative education fund and may be used only for the purpose of educating and training members, potential members staff and directors in co-operative principles and practices

**23. Services primarily for members**

- (1) A co-operative's services shall normally be available to members only.

- (2) After two years of its being registered under this Act, any co-operative found to be providing more than one-fourth of its core services as specified in its articles in terms of the value of transactions to non-members in any given financial year shall be deemed to be an "aberrant co-operative" and may be liable to lose for that year exemptions. If any provided to it on the ground that it is a co-operative by this or other laws

- (3) Any co-operative found to be "aberrant" for three continuous years shall be deemed to be an organisation not operating on a co-operative basis and the registrar or any person may apply to the Court for an order dissolving the co-operative.

**24. Exercise rights**

- (1) No member of a co-operative shall exercise the rights of membership including the right of vote, unless the member has made such payments to the co-operative in respect of membership or has acquired and continues to have such interest in the co-operative, including a minimum use of the services of the co-operative, as may be specified in the articles.
- (2) Every year within twenty days of closure of the previous financial year, the chief executive shall prepare a list of members with the right of vote and a list of members without the right of vote, valid for the current financial year. The list shall be affixed to the notice board of the co-operative for information of all members, and any member not satisfied with the specific instances of inclusion or non-inclusion of members in the lists may appeal to the board within ten days of the affixation of the lists on the notice board for re-examination of the records, and the board shall, within forty five days of closure of the previous financial year, review the lists, finalise them, and have them affixed to the notice board of the co-operative.

**25. Voting rights of members**

In primary co-operatives members shall have equal voting rights (one member one vote), and in secondary co-operatives, too, members shall have voting rights, on democratic basis, as specified in the articles;

provided that a person shall have been a member for at least one full financial year, before being eligible to vote;

provided that the condition of one year membership shall not apply to the members who join at incorporation or at any time after the incorporation of a co-operative but before the first financial year ending;

provided further that the articles of a secondary co-operative may fix an upper limit on the number of votes that a member-co-operative can have.,

**26. Member liability**

- (1) A co-operative may be registered with limited or unlimited liability, where

- (a) a co-operative with limited liability means a co-operative in which the liability of its members for the debts of the co-operative is limited by its articles, to such form and extent as they may undertake to contribute to any deficit in the assets of the co-operative, in the event of its being wound up; and
- (b) a "co-operative with unlimited liability" means a co-operative in which its members are jointly and severally liable for the debts of the co-operative and to contribute to any deficit in the assets of the co-operative, in the event of its being wound up.
- (2) Where a co-operative amends its articles to change the form and extent of its members' liability, it shall within fifteen days of such amendment give notice thereof together with a copy of the amendment to its members and creditors and notwithstanding any provision in the articles or contract to the contrary any member other than one " who voted in favour of the proposed change or creditor shall, during a period of fifteen days from the date of service of the notice upon him/her have the option of withdrawing from the co-operative his/her interest, subject to the discharge of his/her obligations to the co-operative
- (3) Any member or creditor who does not exercise his/her option within the period specified in sub-section (2) shall be deemed to have assented to the resolution
- (4) An amendment passed under sub-section (2) shall not take effect until
- (a) a claims of the members and creditors of the co-operative who have exercised the option under sub-section (2) have been met in full or otherwise satisfied and
- (b) notice of the amendment of the articles of the co-operative has been received by the registrar in accordance with this Act.
- (5) Subject the provisions of sub-section (6), the liability of a member or of the estate of a deceased member for the debts of the co-operative as they existed
- (a) In the case of a past member, on the date on which the person ceased to be a member; and

- (b) In the case of a deceased member, on the date of his/her death, shall continue for a period of two years from such date.
- (6) Where a co-operative is ordered to be dissolved, the liability of a past member, who ceased to be a member, or of the estate of a deceased member, who died, within two years immediately preceding the date of order of dissolution, shall continue until completion of the liquidation proceedings, but such liability shall be limited only to the debts of the co-operative as they existed on the date of cessation of membership or death, as the case may be.

**27. General body**

- (1) There shall be a general body for every co-operative consisting of all the members of such co-operative:

provided that where the general body of a co-operative decides that the size or spread of its membership requires a representative body for more effective decision-making, its articles may provide for a smaller body called representative general body drawn from the members, to be formed in such a democratic manner with such functions and responsibilities and such relationship with members as may be specified in the articles.

- (2) Any reference in this Act to the general body shall apply to the representative general body where it exists:

provided, however, that the representative general body shall not alter any provision in the articles or take any decisions relating to such subjects as the general body may have explicitly retained for itself.

- (3) Subject to the provisions of this Act and the articles of a co-operative, the ultimate power of a co-operative shall vest in the general body of its members:

provided that nothing contained in this subsection shall affect the exercise by the board or any other authority of a co-operative of any power conferred on such board or such other authority by this Act.

- (4) Any function or responsibility, falling within the scope of a co-operative as a body corpo-

rate: which has not been specifically entrusted by this Act or the articles, to any of the several authorities Within the co-operative may be dealt with by the general body, on a reference by the board of directors.

**28. Functions and responsibilities of general body**

- (1) The following and such' other matters as are considered necessary by the board, shall be dealt with by the general body at every annual general meeting:

- (a) action on resolutions of the previous meeting.
- (b) consideration of the long term plan and budget when required,
- (c) consideration of the annual operational plan and budget for the current financial year,
- (d) appointment of auditors for the current financial year,
- (e) consideration of the annual report of activities for the previous financial year.
- (f) consideration of the annual audited statements of accounts, and the audit report relating to the previous financial year
- (g) consideration of the report on deviations, if any from the approved budget relating to the previous financial year and the appropriate action to be taken.
- (h) disposal of surplus if any of previous financial year
- (i) management of deficit if any of previous financial year
- (j) creation of specific reserves and other finance when required
- (k) review of actual utilisation of reserves and other funds
- (l) review of the report on the attendance at meetings by directors
- (m) review of the use of the co-operatives services by the directions
- (n) review of remuneration paid to any director or member of any committee or Internal auditor in connection with his/her duties in that capacity or his/her attendance at related meetings:

- (o) review of quantum and percentage of services provided of non-members vis-a-vis services provided to the members;
- (p) appeal of a person whose application for membership has been rejected by the board when required:
- (q) appeal of a person who has been expelled from membership by the board when required:
- (r) report of activities and accounts related to member education and board and staff training.
- (2) The following and other matters when considered necessary by the board shall be dealt with by the general body at its annual or other general meeting:
- (a) election of directors;
- (b) amendments to articles:
- (c) removal of directors;
- (d) elections/appointments to casual vacancies on the board;
- (e) removal, and consequent appointment of auditors:
- (f) membership of the co-operative in secondary co-operatives;
- (g) partnership with other co-operatives;
- (h) amalgamation division, merger, transfer of assets and liabilities;
- (i) dissolution of the co-operative;
- (j) consideration of the registrar's report of inquiry, if any.
- 29. General meetings**
- (1) The board of a co-operative may at any time call a general meeting of the members of the co-operative'
- provided that one such meeting known as annual general meeting shall be held within one hundred and fifty days of the closure of the co-operative's financial year to deal with the matters specified in section 28(1).
- (2) The board shall hold a special general meeting within thirty days of the date of receipt of a requisition from:
- (a) not less than five hundred members or one-fifth of the members having the right to vote whichever is less; or
- (b) the registrar in pursuance of his/her functions under this Act.
- provided that any such requisition shall contain the reasons why the meeting is felt necessary and the proposed agenda, and no subject other than the subjects included in the proposed agenda shall be discussed at the special general meeting.
- (3) All directors shall cease to be directors at the end of the period within which an annual general meeting under sub-section (1) or a special general meeting under sub-section (2) is required to be held if the board fails to hold such general meeting; within the specified period.
- (4) All directors shall cease to be directors at the annual general meeting if the audited annual financial statements and auditor's comments and observations, if any along with the report of activities for the previous financial year were not made available to the members along with the notice to attend the annual general meeting at which the report and accounts are to be considered by the general body and such general meeting shall be conducted by a three-member ad-hoc board consisting of members who are neither directors nor members of the arbitral tribunal appointed by the arbitral tribunal
- (5) The quorum for a general meeting shall be as specified in the articles but shall not be less than one-fifth of the members eligible to vote at the meeting:
- provided that quorum for a representative general meeting shall not be less than two-fifths of the representatives eligible to vote at the representative general meeting
- 30. Minutes of general meetings**
- (1) Every co-operative shall maintain in the language specified by the articles in the minutes book minutes of all proceedings of every general meeting and the chief executive shall send the copy of the minutes within fifteen days of the conclusion of every such meeting to all members

- (2) The minutes so recorded shall be signed by the person who chaired the said meeting or in the event of his/her incapacity to sign the minutes within the time required by a director duly authorised by the board;

## CHAPTER IV

### MANAGEMENT

#### 31. Board of directors

There shall be an elected board of directors for every co-operative constituted and entrusted with the direction of the affairs of the co-operative in accordance with the provisions of the articles.

provided that in the case of a co-operative newly registered under this Act, the promoters may appoint the first board for a period not exceeding one year from the date of incorporation, to direct the affairs of the co-operative and to get elections of directors conducted within the period referred to their; and the first board appointed under the proviso shall cease to function as soon as a regular board has been constituted in accordance with the articles:

provided further that in the case of a co-operative society originally registered under the..... Co-operative Societies Act. .... and subsequently registered under this Act. the elected members of the board, whose term has not expired at the time of incorporation under this Act. may be deemed to be the first board, for a period not exceeding one year from the date of incorporation under this Act. to direct the affairs of the co-operative and to get elections of directors conducted within the period referred to herein: and the deemed first board under the proviso shall cease to function as soon as a regular board has been constituted in accordance with the articles.

#### 32. Functions and responsibilities of board

- (1) The board may perform functions and discharge responsibilities as specified in and in accordance with the terms, conditions and procedure laid down in the articles;

provided that the following functions and responsibilities shall be those of the board:

- (a) to interpret the organisational objectives to set up specific goals to be achieved towards these objectives, and to make periodic appraisal of operations,
- (b) to finalise long term perspective plan, annual plan and budget and to direct the affairs of the co-operative in accordance with the plan and budget approved by the general body;
- (c) to frame, approve and amend policies relating to services funds accounts and accountability and information and reporting systems,
- (d) to elect and remove office bearers and specify their roles and responsibilities;
- (e) to appoint and remove the chief executive and specify his/her roles and responsibilities;
- (f) to make arrangements for the mobilisation of funds:
- (g) to authorise, acquisition and disposal of immovable property; and
- (h) to frame regulations for the appointment of all employees of the co-operative and the scales of pay allowances and other conditions of service including disciplinary action

- (2) Every director of a co-operative while performing functions and responsibilities shall'
- (a) act honestly and in good faith and in the best interests of the co-operative: and
  - (b) exercise such due care, diligence and skill as a reasonably prudent person would exercise in similar circumstance
- (3) Any director who is guilty of misappropriation, breach of trust or any other omission or commission, resulting in loss or shortfall in revenue to the co-operative shall be personally liable to make good that loss or shortfall without prejudice to any civil action to which the director may be liable under law.

#### 33. Eligibility for directorship in a co-operative

In addition to such other conditions as may be specified in the articles a member of a co-operative shall be eligible for being chosen as a director of the co-operative if

- (1) such member has the right to vote in the affairs of the co-operative: and

- (2) such member has patronised the services of the co-operative during the previous financial year to the extent and in the manner specified in the articles; and
- (3) such member has no interest in any subsisting contract made with or work being done for the co-operative except as otherwise specified in the articles; and
- (4) six years have lapsed from the date that such member may have ceased to be a director of the co-operative for reasons of
  - (a) non-conduct of general meeting;
  - (b) non-conduct of elections to the board;
  - (c) non-submission of annual report of activities, audited annual financial statements and/or auditor's report to the general body; or
  - (d) absence from board meetings.

#### 34. Elections

- (1) The conduct of elections of directors to the board and of representatives to the representative general body of a co-operative shall be the responsibility of the incumbent board of the co-operative.
- (2) Elections shall be conducted in the manner specified in the articles before the term of office of the outgoing directors or representatives comes to an end.
- (3) All directors on the board shall cease to be directors at the point of time when any task required for the conduct of elections by the articles is not undertaken or completed and the board has not immediately taken necessary steps to continue with the process as required by the articles
- (4) Elections of directors shall normally take place at the annual general meeting
- (5) Where a board fails to conduct elections before the expiry of the term of the directors or representatives or where the process of elections is discontinued or suspended at any stage of the process and the board has not initiated remedial measures or where there are no directors remaining on the board the arbitral tribunal within such time and in such manner as specified in the articles of association shall

appoint a three member ad-hoc board from among members who are not members of the arbitral tribunal, nor members of the outgoing board, nor inland to stand as candidates for the elections on hand, for the specific purpose of conducting elections and to perform all functions of the board during the interregnum except those proscribed by the articles.

- (6) The term of the ad-hoc board so appointed shall not exceed three months and the ad-hoc board shall cease to function as soon as a regular board is elected in accordance with the articles.
- (7) Directors shall hold office for the period for which they were elected and the newly elected directors shall assume office at the end of this period
- (8) The directors may not be eligible if so specified in the articles for re-election
- (9) Where there are vacancies on the board and where there is a quorum the remaining directors may exercise all the powers of the board or may fill the vacancies by co-option for the remainder of the respective terms
- (10) Where there are vacancies on the board and where there are not sufficient number of directors to constitute a quorum for board meetings the arbitral tribunal shall call a general meeting for the purpose of electing directors to fill the vacancies.

#### 35. Tenure at directors

Where the articles provide for retirement of all directors at once, the tenure of office of all the directors and where the articles provide for retirement of directors by rotation the tenure of office of the individual directors shall be for such period as specified in the articles not exceeding three years from the date of assumption of office, as specified in the articles

#### 36. Board meetings

- (1) The president of a co-operative may, at any time call a meeting of the board of directors: provided however, that at least four board meetings shall be held in a financial year and the period between two consecutive board meetings shall not exceed one hundred and twenty days.

- (2) The president shall hold a special board meeting within fifteen days of the date of receipt of a requisition from
- not less than one hundred members or one-tenth of the members, having the right to vote, whichever is less;
  - at least one-third of the directors;
  - the auditor; or
  - the registrar.

provided that any such requisition shall contain the reasons why the meeting is felt necessary and the proposed agenda, and no subject other than the subjects included in the proposed agenda shall be discussed at the special board meeting.

- The president shall cease to be president at the end of the period within which a board meeting under sub-section (1) or (2) or the articles has to be held if he/she fails to hold such board meeting within the specified period.
- An individual who ceases to be president under Sub-section (3) shall not be eligible to hold the office of president for a period of six years from the date of such cessation.
- The quorum for a board meeting shall be as specified in the articles, but shall be more than half of the total number of directors on the board.
- The procedure to convene and conduct the board meeting shall be such as specified in the articles
- If a director fails to attend three consecutive board meetings he/she shall cease to be a director from the date of the third board meeting.

### 37. Minutes of board meetings

- Every co-operative shall maintain in the language specified by the articles. In the minutes book minutes of all proceedings of every board meeting and the chief executive shall send the copy of the minutes within seven days of the conclusion of every such meeting to all directors
- The minutes so recorded shall be signed by the person who chaired the said meeting or

by the person who chairs the following meeting wherein the minutes are confirmed.

## CHAPTER V

### FINANCE

#### 38. Mobilisation of funds

- A co-operative may mobilise funds including equity capital, savings deposits, grants, and loans from its members in such form, to such extent and under such conditions as may be specified in the articles.
- A co-operative may raise funds and other forms of financial support including guarantee from non-members including individuals banks, other financial and non-financial institutions and the government, on mutually agreed terms, to such extent and subject to such conditions as may be specified in the articles;

provided that no co-operative other than a co-operative bank as defined in Banking Regulation Act may receive savings of deposits from the general public.

#### 39. Deployment of funds

- The funds mobilised by a co-operative shall be for the furtherance of its objectives,
- Such of its funds as are not needed for use in its business, a co-operative may invest or deposit, outside its business, in any manner specified in section 11(5) of the Income Tax Act, 1961

#### 40. Disposal of surplus

- Surplus, if any, arising out of the business of a co-operative in a financial year may be used in one or more of the following ways:
  - towards a deficit cover fund;
  - to be distributed as surplus refund among its members;
  - to develop its business;
  - towards reserves and funds constituted in accordance with the articles;
  - to provide common services to its members;
  - to provide rewards or incentives to staff;
  - towards a non-divisible corpus fund;



provided that surplus arising out of services provided to non-members may not be distributed amongst members or staff but may be used for the provision of common services to the community at large, and for encouraging potential members to become members

- (2) Surplus of the previous financial year must be fully allocated at the annual general meeting in which the audited statements of accounts for the previous financial year are presented for the consideration of the general body.

#### 41. Management of deficit

- (1) Direct if any arising out of the business of a co-operative in a financial year shall be fully settled by debiting a part of all of the deficit to the deficit cover fund if any and/or as deficit charge among its members

provided that nothing in this sub-section shall preclude a co-operative from also proceeding against its directors for recovery of amounts contributing to the deficit, where such deficit is the result of deviation from the approved plan and/or budget and where such deviation does not receive the approval of the general body or is the result of gross negligence or mismanagement;

provided further that where such amounts are recovered the general body may resolve to credit a part or all of the amount to the deficit cover fund and/or to the account of each member in proportion to the deficit charge levied on him/her in this regard.

- (2) No member shall be permitted to withdraw from the membership of the co-operative without paying his/her share towards clearing the deficit if any.

#### 42. Operation of special funds

- (1) A co-operative may, in the interest of its members and towards the fulfilment of its objectives, create reserves and such other funds as are specified in the articles or resolved on by the general body.

- (2) Funds so created may be used in the business of the co-operative, but at the end of every year, the co-operative shall credit to the account of such fund an annual interest at not less than the rate paid by scheduled banks on long term fixed deposits, on that portion of

each fund which was not applied for the purpose for which it was created, debiting such interest as operational expenditure.

#### 43. First charge

- (1) Notwithstanding anything in any law for the time being in force, but subject to any claim of the government in respect of land revenue any debt or other amount due to a co-operative by any member shall be a first charge upon such properties of the member as agreed to by the co-operative, and as the member may declare in the manner specified in the articles at the time of membership and subsequently thereafter.

- (2) No person shall transfer any property which is subject to such charge except with the previous permission in writing of the co-operative which holds the charge and any transfer, without such permission shall notwithstanding anything in any law for the time being in force be void.

## CHAPTER VI

### INSURED CO-OPERATIVE BANK

44. Order for winding up, reconstruction, supersession of committee, etc., of Insured Co-operative Bank, to be made only by Reserve Bank of India.

Notwithstanding anything contained in this Act, in the case of an insured co-operative bank-

- i an order for the winding up, or an order sanctioning a scheme of compromise or arrangement, or of amalgamation, or reconstruction (including division or re-organisation), of the bank may be made only with the previous sanction in writing of the Reserve Bank of India;
- ii an order for the winding up of the bank shall be made (by the Registrar) if so required by the Reserve Bank of India in the circumstances referred to in section 13-0 of the Deposit Insurance Corporation Act, 1961;
- iii the Reserve Bank of India may, in the public interest or for preventing the affairs of the bank being conducted in a manner detrimental to the interests of the depositors or for securing

- the proper management of the bank order the supersession (removal) of the Board and the appointment of an Administrator therefore for such period or periods, not exceeding five years in the aggregate, as may from time to time be specified by the Reserve Bank of India, and Administrator so appointed shall after the expiry of his term of office, continue in office until the day immediately preceding the date of the first meeting of the new committee:
- iv an, order for' the winding up of the bank or an order sanctioning a scheme of compromise or arrangement or of amalgamation or reconstruction (including division or reconstruction made with the previous sanction in writing of the Reserve Bank of India or an order for the supersession (removal) of the Board and the appointment of an Administrator therefore made by the Reserve Bank of India shall not be liable to be called in question in any manner; and
  - v the liquidator or the insured co-operative bank or the transferee bank, as the case may be, shall be under an obligation to repay the Deposit Insurance Corporation established under the-Deposit Insurance Corporation Act. 1961, in the circumstances, to the extent and in the manner referred to in section 21 of that Act
- (f) account of the assets and liabilities of the co-operative;
  - (g) a list of members, their fulfilment of responsibilities over the previous financial year, their eligibility to exercise their rights for the current financial year updated within forty five days of close of the co-operative's financial year; and
  - (h) all such other accounts, records and documents as may be required by this Act or other laws and regulations;
- provided that where a co-operative has branch offices, financial statements of accounts, relating to such branch office/s shall be available at the registered office for each quarter, within fifteen days of the end of that quarter.
- (2) Every co-operative shall keep open the books of account and' other records for inspection by any director during business hours, in accordance with the procedure framed by the Board.
  - (3) Every co-operative shall make available during its business hours to any member who so requests, copies of this Act. articles, minutes book of the general body, voters' list, audit report in full with audited statements accounts, and such accounts and records of transaction that relate to that member
  - (4) Every co-operative shall preserve its books of accounts & relating to a period of at least eight financial years before the current financial year together with supporting records and vouchers

## CHAPTER VII

### ACCOUNTABILITY

#### 45. Accounts', records and documents to be maintained

- (1) Every co-operative shall keep at its registered office, the following accounts, records and documents
  - (a) a copy of this Act, with amendments made from time to time,
  - (b) a copy of its memorandum and articles, with amendments made from time to time
  - (c) the minutes books;
  - (d) account of all sums of money received and expended by the co-operative and their respective purposes;
  - (e) account of all purchases and sales of goods by the co-operative;

#### 46. Audit

- (1) A co-operative shall get its accounts audited by a chartered accountant within the meaning of the Chartered Accountants Act 1949
 

provided that where a co-operatives annual business turnover is less than' Rs five lakhs. It may appoint as auditor, any person/so from Within membership or outside. with such, qualifications as are specified In the articles

Explanation for, the purpose of this section business turnover shall mean the value of sales services provided and / or loans recovered.
- (2) A co-operative, at its annual general meeting, shall appoint an auditor. This appointment

- Will be valid only until the close of the next succeeding annual general meeting
- (3) The remuneration of auditor may be fixed by the general body or. If not so fixed by the arbitral tribunal
- (4) An auditor ceases to hold office when the auditor
- (a) resigns.
- (b) is removed from office under sub-section (6); or
- (c) completes' his/her term of office
- (5) The resignation' of an auditor becomes effective at the time a written resignation is received by the co-operative, or at the time specified in the resignation whichever is later
- (6) The general body may, by a special resolution, remove an auditor from office.
- (7) An auditor, who
- (a) resigns, or
- (b) receives a notice or otherwise learns of a general meeting called for the purpose of removing him/her from office:  
is entitled to submit to the general body a written statement giving the reasons for his/her resignation or his/her response to the proposed removal, as the case may be
- (8) A vacancy created by the resignation of an auditor shall be filled up by the arbitral tribunal
- (9) A vacancy created by the removal of an auditor shall be filled up by the general body.
- (10) An auditor appointed to fill a vacancy holds office for the unexpired term of his/her predecessor.
- (11) The auditor shall be given notice of every general meeting and, at the expense of the co-operative, will be entitled to attend and be heard, thereat on matters relating to his/her duties as auditor and their exercise
- (12) It shall be the duty of the board to ensure that annual financial statements are prepared and presented for audit within forty-five days of closure of the co-operative's financial year
- (13) 'Upon the reasonable demand of the auditor of a co-operative, the chief executive shall arrange to
- (a) provide such access to records, documents books, accounts and vouchers of the co-operative, and
- (b) 'furnish such information and explanations, as are, in the opinion of the auditor, necessary to enable him/her to make the examination and report, and 'as the chief executive or a present or former director members, managers or employees are reasonably able to furnish
- (14) It shall be the duty of the auditor to ensure that audited annual financial statements and his/her accompanying report are furnished to the co-operative within forty five days of the submission of annual financial statements by the board
- (15) The auditor's report to the members of the co-operative shall
- (a) state whether the auditor has obtained all the information and explanations which to the best of his/her knowledge and belief were necessary for the purpose of his/her audit.
- (b) state whether the cooperations balance sheet and income and expenditure account dealt with by the report are in agreement with the books of accounts,
- (e) indicate, in the first stance the basis on which each asset and liability was valued, and make specific mention thereafter of any change 'in the manner in which such valuation was done in the year under examination and its effect on surplus/deficit
- (d) indicate the amount of surplus earned/deficit incurred from provision of services to non-members as distinct from surplus/deficit accruing because of members or in normal course of business:
- (e) indicate every deviation of more than five percent in actual expenses and income from the estimated expenses and income in the approved budget:
- (l) specify the advances, gross remuneration and/or honorarium and/or allowances paid and/or value of benefits provided, if any, to any of the office bearers, or directors, or the chief executive, in the financial year under audit;

- (g) state whether or not any of the office bearers or directors had become, at any time during the year under review, ineligible under this Act to continue in office as an office bearer or director: and
  - (h) state whether the decisions on disposal of surplus or assessment of deficit, of the general body, at its previous annual general meeting were implemented correctly and completely or not
- 47. Returns to be filed with the registrar**
- (1) Every year, within thirty days of the holding of the annual general meeting, every co-operative shall file the following returns with the registrar:
    - (a) annual report of activities;
    - (b) audited annual statements of accounts with auditor's report;
    - (b) statistical statement indicating name of the co-operative; core services offered by the co-operative to its members; total number of members as on the last day of the year; total liabilities expressed as (i) funds from members; and surpluses, (ii) funds from the Government, if any, and (iii) funds from other external sources as on the last day of the financial year; quantum in rupees of services provided (i) to members and (ii) to non-members; and surplus/deficit at end of year.
  - (2) Along with the returns specified in sub-section (1), every co-operative shall furnish the following information to the registrar:
    - (a) the date of the annual general meeting at which the returns being filed with the registrar were considered and/or approved;
    - (b) the total number of members on the rolls of the co-operative who were eligible to vote on the date of such annual general meeting;
    - (c) the number of eligible members present at such annual general meeting,
    - (d) list of names of directors their addresses and their terms of office;
    - (e) name and address of the auditor appointed for auditing the current year's accounts
- (3) The registrar shall submit an annual report to the government by 31<sup>st</sup> March of each year containing statistical information on the co-operatives in the state compiled from the returns received during the previous calendar year, under sub-section (1)(c), with regard to the total number of co-operatives in the state, their membership funds, services and surplus/deficit; and the report shall also contain information on the strength of staff in the department of cooperation including those on deputation, establishment expenses on the department, fee raised under this Act by 'the department, and a statistical summary of statutory powers exercised during the previous calendar year
  - (4) Any person may apply in' writing to the registrar seeking a copy of the registrar's annual report, or of any return/s or any information filed by the co-operatives with the registrar, and such information shall be made available by the registrar on reasonable fee.
- 48. Inquiry**
- (1) The registrar, after first providing an opportunity to the co-operative concerned to present its case, for reasons to be recorded in writing, may of his/her own motion, and shall, on the application of a secondary co-operative to which the co-operative concerned is affiliated, or of a creditor to whom the co-operative is indebted or of not less than one-third of the directors, or of not less than one-third of the members, hold an inquiry or cause an inquiry to be made into any specific subject or subjects relating to any gross violation of any of the provisions of this Act by the co-operative.
    - (2) Except when an inquiry is undertaken on his/her own motion, the registrar shall order an inquiry only after the receipt of a fee, from the applicant or the applicants, deemed sufficient to meet the costs of the inquiry to be conducted.
    - (3) The inquiry shall be completed within a period of one hundred and twenty days from the date of ordering the inquiry
    - (4) The registrar shall, within a period of thirty days from the date of the completion of the

- inquiry, or of the period specified in sub-section (3), communicate the report of the inquiry or the reasons for the non-completion of the inquiry, as the case may be,
- (a) to the co-operative concerned;
  - (b) to the applicant secondary co-operative, if any.
  - (c) to the applicant-creditor, if any;
  - (d) to the person designated by the applicant-directors, if any;
  - (e) to the person designated by the applicant-members, if any; and
  - (f) to any person, on payment of fee specified by the registrar.
- (3) No person is guilty of an offence in pursuance of subsection (1) or (2) where the untrue statement or omission'
    - (a) was unknown to him/her; and
    - (b) in the exercise of reasonable diligence, could not have been known to him/her
  - (4) Every person who
    - (a) without reasonable cause, contravenes a provision of this Act for which no penalty is otherwise provided: or
    - (b) fails to give any notice, send any return or document that is required by this Act: is guilty of an offence and is liable on summary conviction to a fine' of not more than one thousand rupees
  - (5) An offence by a co-operative shall be deemed to have been also committed by each office-bearer, director and the chief executive of the co-operative bound by the articles thereof to fulfil the duties whereof the offence is a breach, or, if the articles are not specific in this regard, then by each of the directors unless the office-bearer or director or chief executive, as the case may be, proves to have attempted to prevent the commission of the offence.

## CHAPTER VIII

### OFFENCES

#### 49. Offences,

- (1) A person, who makes or assists in making a report, return, notice or other document required in this Act to be sent to the registrar or to any other person, that contains an untrue statement of a material fact or that omits a material fact which is required in the report, or omits a material fact whose absence makes a statement in the report, misleading, is guilty of an offence and liable on summary conviction.
  - (a) in the case of an individual, to a fine not greater than one thousand rupees or to imprisonment for a term not greater than ninety days or to both such fine and imprisonment:
  - (b) in the case of a person other than an individual, to a fine not greater than ten thousand rupees.
- (2) Where the person guilty of an offence under sub-section (1) is a co-operative, and whether or not the co-operative has been prosecuted or convicted, any director or officer of the co-operative who knowingly authorises, permits or acquiesces in the offence is also guilty of an offence and liable on summary conviction to a fine of not more than one thousand rupees or to imprisonment for a term not exceeding ninety days or to both such fine and imprisonment
  - (6) Where a person is convicted of an offence in pursuance of this Act the court may, in addition to any punishment imposed, order the person to comply with the provisions of the Act for the contravention of which he/she has been convicted
  - (7) No prosecution for an offence under this Act shall be commenced after two years from the time when, the subject matter of the complaint arose.
  - (e) No civil remedy for an act or omission under this Act is suspended or affected by reason that the act or omission is an offence under this Act

## CHAPTER IX

### DISPUTES

#### 50. Disputes

- (1) Notwithstanding anything in any law for the time being in force, if any dispute touching the constitution, management or business of a co-operative arises

- (a) among members, past members and persons claiming through members' and deceased members or
- (b) between a member, past member or a person claiming through a member, past member or deceased member and the co-operative, its board, director, office-bearer, or liquidator, past or present; or '
- (c) between the co-operative or its board and any past board, any director, office-bearer, or any past director, past office-bearer, or the nominee, heir, or legal' representative of any deceased director or deceased office-bearer of the co-operative, such dispute shall be referred to the arbitral of the co-operative.

Explanation: For the purposes of this sub-section, a dispute shall include a claim by a co-operative for any debt or other amount due to it from a member, past member, the nominee, heir or legal representative of a deceased member, and/or surety, whether such debt or other amount be admitted or not.

- (2) If any question arises whether a dispute referred to the arbitral tribunal under this section is a dispute touching the constitution, management or business of the co-operative, such question shall be decided by the arbitral tribunal
- (3) The arbitral tribunal shall decide the dispute in accordance with the provisions of this Act and the articles, and such decisions shall be final. Pending final decision on the dispute, the arbitral tribunal may make such interlocutory orders, as it may deem necessary in the interest of justice
- (4) Every decision made under this section, shall be executed by the civil court having jurisdiction, as if such order is a decree of that court, on a certificate issued by the arbitral tribunal.
- (5) Notwithstanding anything in sub-section (4). or in any other law for the time being in force, and without prejudice to any other mode of recovery which is being taken or may be taken, an arbitral tribunal may, on the, application made by the co-operative for the recovery of arrears due to the co-operative by any of its members, and on its furnishing a statement

of accounts in respect of the arrears and after providing an opportunity to the member to be heard, and making such other inquiry as the tribunal deems fit, issue a certificate for the recovery of the amount stated therein to be due as arrears,

- (6) A certificate issued by, the arbitral tribunal under sub-section (5) shall be final and conclusive proof of the arrears stated to be due and the certificate shall be executed by the chief executive in the manner specified in the articles
- (7) Where not less than one hundred members or one-tenth of members having the right of vote whichever is less submit to the Arbitral Tribunal a requisition for the removal of one or more Directors from the Board for reasons of their being ineligible to continue in office under the provisions of this Act, the Arbitral Tribunal shall conduct such enquiry as it deems fit, and within a period of one month from the date of requisition, remove the offending Director or Directors and take such steps as then becomes necessary or inform the requisitioning members in writing why such a measure is not called for

#### 51. Arbitral tribunal

The articles of each co-operative shall provide for the constitution of an arbitral tribunal consisting of an individual or a group of individuals not exceeding five, elected by the 'general body from among its members or others, whose term of office shall be not more than three years.

- (1) Provided when an arbitral tribunal consists of more than one member it may choose for reasons to be set forth in writing that a dispute or, set of disputes referred to it for settlement be resolved by one or more of its members and the decision of such members shall be deemed to be a decision of the arbitral tribunal.
- (2) A member of the arbitral tribunal shall have such qualifications as are specified in the articles: provided that no person who has served as member of arbitral tribunal shall be eligible thereafter to contest board of that co-operative or of any secondary co-operative to which that co-operative is affiliated.

## CHAPTER X

## DISSOLUTION

**52. Dissolution by members**

- (1) A co-operative may, by a special resolution authorise its own dissolution provided that a copy of the notice of the general meeting shall be sent by registered post with an Invitation to attend to registered to all to whom the co-operative owes money to any secondary co-operative to which the co-operative is affiliated and to any co-operative/s with which a partnership contract has been entered into
- (2) Invitees under the provision of sub-section (1) shall have the right to make a presentation to the general body. If they so wish to, on the issue of the proposed dissolution.
- (3) Within fifteen days of such authorisation for dissolution, the co-operative 'shall send to the registrar a copy by registered post of the authorisation to dissolve the co-operative.
- (4) The authorisation approved in pursuance of sub-section (1) is required to set out:
  - (a) the assets and liabilities of the co-operative;
  - (b) the claims of creditors;
  - (c) the number of members;
  - (d) the nature and extent of the members' interest in the co-operative;
  - (e) the name and address of the liquidator appointed by the co-operative.
- (5) When the registrar receives the special resolution passed in pursuance of sub-section (1)
  - (a) where he/she is satisfied that the co-operative has no assets or liabilities. he/she may dissolve the co-operative, strike off its name from the register of co-operatives and issue a certificate dissolution or
  - (b) Where the co-operative has assets and/or liabilities. he/she shall, within thirty days of such approval cause at the expense of the co-operative a notice of the special resolution to be published once a week for two consecutive weeks in a newspaper published or distributed in the district where the registered office of the co-operative is located

- (6) In the case of dissolution, the registrar may require, till the certificate of dissolution is issued by him/her, from the liquidator appointed by the co-operative or any other person who is required to furnish Information, a periodical return showing.

- (a) the progress of dissolution.
- (b) the distribution of any undistributed surplus or reserve and
- (c) any other relevant Information that he/she may require

**53. Dissolution by registrar**

- (1) Where the registrar has reasonable cause to believe that a co-operative
  - (a) has not commenced business within two years after the date shown on its certificate of incorporation: or
  - (b) has not carried on business for two consecutive years
 he/she shall send to the co-operative a letter' by registered post inquiring whether the co-operative is carrying on business
- (2) where the registrar does not. within thirty days of the date he/she sent a letter in pursuance of sub-section (1) receive an answer to the letter, he/she shall, within fifteen days after the expiry of 'thirty 'days, send to the co-operative a letter stating that:
  - (a) a letter was sent to the co-operative in pursuance of sub-section (1);
  - (b) no answer to that letter has been received by him/her, and
  - (e) if an answer is not received to the letter sent under this sub-section within thirty days from the date it is sent, a notice will be published in the gazette to dissolve the co-operative.
- (3) Where the registrar:
  - (a) receives an answer from the co-operative that it is not carrying on business; or
  - (b) does not, within thirty days after the date that he/she sent a letter in pursuance of sub-section (2), receive an answer to that letter;
 he/she may publish in the gazette and send to the co-operative a notice that at the expiry of

thirty days from the date of that notice, the co-operative will have its name struck off the register, or, unless cause is shown to the dissolved.

- (4) At the expiry of thirty days after the date of the issue of the notice in pursuance of sub-section P), the registrar may, unless cause to the contrary is previously shown by the co-operative'
  - (a) where he/she is satisfied that the co-operative has no assets or liabilities, dissolve the co-operative strike off its name from the register of co-operatives and issue a certificate of dissolution; or
  - (b) appoint a liquidator, in accordance with section 54, to dissolve the co-operative.
- (5) Where a co-operative fails to file returns and furnish information, as required under section 46. even after a lapse of two hundred and forty days from the close of the co-operative's financial year. The registrar shall require the board to call a special general meeting for the purpose of considering the filing of annual returns and the information to be furnished to the registrar.
- (6) Where the board fails to call a special general meeting within the time period specified in section 29(2) the registrar may call the special general meeting to ascertain whether the general body desires to continue the co-operative.'
- (7) where:
  - (a) a quorum of members is not present at a special general meeting called in pursuance of sub-section (5) or (6); or
  - (b) the general body fails to pass a resolution to the effect that
    - (i) the co-operative is to carry on business.
    - (ii) the board must present, within sixty days from the date of the special general meeting, to the general body the annual returns to be filed with and the information to be furnished to the registrar; and
    - (iii) the co-operative will file the returns with and furnish information to the registrar within

ninty days from the date of the special general meeting, or the registrar may

- (i) where he/she is satisfied that the co-operative has no assets or liabilities, dissolve the co-operative strike off its name from the register of co-operatives and Issue a certificate of dissolution: or
- (i) appoint a liquidator, in accordance with section 54, to dissolve the co-operative

#### **54. Dissolution by court**

(1) The registrar or an Interested person may after giving the co-operative ninety days notice of the proposed application, apply to the court for an order dissolving a co-operative where the co-operative:

- (a) obtained its incorporation by fraud or mistake;
  - (b) exists for an illegal purpose.
  - (c) has willfully, after notice by the registrar, violated any of the provisions of this Act or its articles: or
  - (d) is no longer operating on a co-operative basis.
- (2) Where an interested person applies in a court in pursuance of this section, he/she shall give the registrar notice of his/her application and the registrar is entitled to appear and be heard in person or by counsel.

(3) Where the court receives an application in pursuance of this section, It may order that the co-operative be dissolved or liquidated and dissolved under the supervision of the registrar.

(4) Where the registrar receives an order made in pursuance of sub-section (3), he/she shall:

- (a) if the order is to dissolve the co-operative, dissolve it strike off its name from the register of co-operatives and issue a certificate of dissolution: or
- (b) if the order is to liquidate and dissolve the co-operative, appoint any person as a liquidator to wind up the affairs of the co-operative

#### **55. Appointment of liquidator by registrar**

Where a co-operative is to be dissolved and no liquidator is appointed by the general body or the court, the registrar may



- (a) appoint any person as a liquidator to wind up the affairs of the co-operative: or
- (b) where he/she is satisfied that the co-operative has no assets and liabilities, issue a certificate of dissolution.

#### 56. Duties of liquidator

On his/her appointment, a, liquidator shall.

- (a) immediately give notice of his/her appointment.
  - (i) In the case of a liquidator not appointed by the registrar, is the registrar; and
  - (ii) to each claimant and creditor known to the liquidator
- (b) Immediately publish notice of his/her appointment in the gazette and once a week for two consecutive weeks in a newspaper published or distributed in the district where the co-operative has its registered 'office and take reasonable steps to give notice of the liquidator in every jurisdiction where the co-operative carries on business
- (c) place in the notice mentioned in clause (a) and (b) a provision any person
  - (1) indebted to the co-operative to render an account and pay to the liquidator at the time and place specified any amount, owing
  - (ii) possessing property of the co-operative, to deliver it to the liquidator at the time and place specified, and
  - (iii) having a claim against the co-operative, whether liquidated, unliquidated, future or contingent, to present particulars of the claim in writing to the liquidator not later than sixty days after the first publication of the notice;
- (d) take into custody and control the property of the co-operative;
- (e) open and maintain a trust account for the moneys of the co-operative"
- (f) keep accounts of the moneys of the co-operative received and paid out by him/her;
- (g) maintain separate lists of the members, creditors and other persons having claims against the co-operative;
- (h) where at any time he/she determines that the co-operative is unable to pay or adequately

provide for the discharge of its obligations, apply to the registrar or general body as the case may be, for directions: and

- (i) deliver to the registrar or general body, periodically as the registrar or general body may require, financial statements of the co-operative in any form that the liquidator considers proper or that the registrar or general body may require,

#### 57. Functions and responsibilities of liquidator

- (1) The liquidator may:
  - (a) retain lawyers, accountants, engineers, appraisers and other professional advisors;
  - (b) bring, defend or take part in any civil, criminal or administrative proceeding in the name and on behalf of the co-operative;
  - (c) carry on the business of the co-operative as required for an orderly liquidation;
  - (d) sell by public auction or private sale any property of the co-operative;
  - (e) do all acts and execute any documents in the name' and on behalf of the co-operative;
  - (f) borrow money on the security of the property of the co-operative;
  - (g) settle or compromise any claims by or against the co-operative, and
  - (h) do all other things that he/she considers necessary for the liquidation of the co-operative and distribution of its property
- (2) Where a liquidator has reason to believe that any person has his/her possession or under his/her control, or has concealed, withheld or misappropriated any property of the co-operative, he/she may apply to the court or an order requiring that person to appear before the court at the time and place designated in the order and to be examined
- (3) Where the examination mentioned in subsection i2) discloses that a person has concealed, withheld or misappropriated property of the co-operative, the court may order that person to restore the property or pay compensation to the liquidator on behalf of the co-operative.

- (4) No, liquidator shall purchase' directly or indirectly any part of the stock-in-trade debts or assets of the co-operative

**58. Final accounts**

- (1) A liquidator shall pay the costs of liquidation out of the property of the co-operative and shall pay or make adequate provision for all claims against the co-operative

the co-operative has mortgaged, conveyed or otherwise transferred the whole or part of its immovable property or any interest therein to trustees upon trust for the benefit of the holders of such debentures, or

- (c) any endorsement upon or transfer of any other debenture issued by any such co-operative.

**CHAPTER XI**

**MISCELLANEOUS**

**59. Exemption from certain taxes, duties and fees**

The government if in its opinion it is necessary in the public interest to do so, may, by notification in the gazette, and subject to such restrictions and conditions as may be specified in such notification, reduce or exempt in respect of co-operatives

- (a) the taxes on professions, trades, callings and employments;
- (b) the stamp duty with which, under any law for the time being in force, instruments executed by or behalf of a co-operative or by an office bearer or director or member and relating to business of such co-operative or any class of such instruments or decisions or orders of the Registrar or arbitral tribunal or liquidator under this Act, are respectively chargeable; or

- (c) any fee payable under the law relating to registration for the time being in force, or court fees.

**60. Exemption from compulsory registration of instruments**

Nothing in clauses 17(1)(b) and (c) of the Indian Registration Act, 1908 shall apply to

- (a) any instruments relating to shares in a co-operative notwithstanding that the assets of the co-operative consist in whole or in part of immovable 'property';
- (b) any debentures issued by any such co-operative and not creating, declaring, assigning, limiting or extinguishing any right, title or interest to or in immovable property except in so far as it entitles the holder to the security afforded by a registered instrument whereby

**Schedule A**

**(Sections 2 (1), 3 (2)(a) and 4(l)(a)]  
Statement of Co-operative Identity**

1. Definition: A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

2. Values: Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibilities, and caring for others

3. Principles: The co-operative principles are guidelines by which co-operatives put their values into practice.

**1st Principle: Voluntary and Open Membership**

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender social, racial, political, or religious discrimination.

**2nd Principle: Democratic Member Control**

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to membership. In primary co-operatives members have equal voting rights (one member, one vote), and co-operatives at other levels are also organised in a democratic manner.

**3rd Principle: Member Economic Participation**  
Members contribute equitably to, and demo-

cratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed to as a condition of membership. Members allocate surpluses for any of the following purposes developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

#### 4th Principle: Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including Governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

#### 5th Principle: Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public -particularly young people and opinion leaders -about the nature and benefits of cooperation.

#### 6th Principle: Cooperation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative' movement by working through local, national, regional, and International structures.

#### 7th Principle: Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members

**Schedule B**  
**[Section 3 (2)]**  
**Memorandum of Association (for a co-operative to be newly Incorporated)**  
(form which to be presented)

1. We, the following persons

S No.	Full name in capital letters	Full postal address in capital letters	Occupation if the promoters are individuals

desire to form ourselves into a co-operative under ..... Mutually Aided Co-operative Societies Act,

(Please have as many rows above, as there are promoters.)

2. For the purposes of incorporation, Shri/Shrimati ..... at serial number, above shall be our representative, and all communication may be addressed to him/her, at his/her address.

3. The name of our co-operative shall be

4. The registered office of our co-operative will be situated in .....

(Please provide name of village/town/city in the blank space provided)

5. The object of our co-operative shall be .....

(Please state here only that need common to all members, which the co-operative hopes to fulfil, and for which it is being established - eg increase in returns on dairying/sericulture/paddy farming, etc: or access to quality consumer goods/housing/production inputs at reasonable prices; or access to savings and credit/insurance, etc. Please do not provide here the list of services or activities through which this object will be fulfilled)

6. We, hereby declare that we are committed to the principles of cooperation as provided for in Schedule A of the Act and intend to manage our co-operative in conformity with these.

7. We have enclosed

- (a) the articles of the proposed co-operative as adopted by us the promoters.
  - (b) a true copy of the resolution passed by us. at a meeting. adopting the articles:
  - (c) a declaration from advocate/chartered accountant. Shri/Shrimati ..... that all the requirements of this Act have been complied with by us in respect of registration
- B Signed by us, dated..... at place

S. No	Full Name (followed by name and designation of representative, where the promoters are co-operatives)	Signature

**Schedule C**  
**[Section 3(3)(d)]**  
**Certificate of Incorporation**  
(for a newly incorporated co-operative)

Registrar of Mutually Aided Co-operative Societies

**Government of** .....

Certificate of Incorporation under section 3 of the

..... **Mutually Aided Co-operative Societies Act**, .....

**I do hereby certify that the**

.....  
.....  
.....

is registered with No.....together with its memorandum and articles.

Given under my hand and seal

this.....day of.....

Registrar of Mutually Aided Co-operative Societies

Government of .....

## Schedule D

### [Section 4(2)]

#### Memorandum of Association

(for co-operatives to be converted from Co-operative Societies Act. 19.)

(form in which to be presented)

We the directors of the board of the state hereby, that the general body of our co-operative society desires that our co-operative societies now be registered as a co-operative under the Mutually Aided Co-operative Societies Act.

(Please fill the current complete name of the co-operative society)

For the purposes of registration, all communication may be addressed to ".....", ....., at

{Please fill the first blank with the name and designation of the contact person in tile co-operative society, and the second blank with the full postal address of the co-operative society.}

The name of our co-operative, on conversion to the .....Mutually Aided Co-operative Societies Act,.....shall remain the same/become .....

(Based on whether or not the name will undergo change, please strike out whatever is inapplicable above.)

The registered office of our co-operative society is situated in.....and shall remain the same/ change to.....

(Please provide name of village/ town/city in the blank space provided, and strike 'out that which is not applicable.)

5. The object of our co-operative society is .....and on conversion shall be the same/change to

(Please state in the first blank only that need common to all members, for which the co-operative society was established, and in the second blank, please fill change, if any, in this object, upon conversion. Please do not provide here the list of services through which this object will be fulfilled.)

6. We have enclosed

(a) a true copy of the resolution passed by our general body expressing commitment to the principles of cooperation as provided for in Schedule A of the Act.

(b) the articles of the proposed co-operative as adopted by our general body;

(c) a true copy of the resolution passed by the general body, adopting the articles.

(d) a true copy of the declaration of the general body stating that our co-operative society is not In receipt of any share capital from the government or any other external source and will not raise share capital from the government or any source other than members:

(e) a true copy of the latest annual report, and audited statement of accounts'

(f) a true copy of the resolution of the general body along with particulars regarding the wiping off of accumulated losses from various reserves and/or by debiting to the accounts of members as decided at the meeting; (or) a true copy at the resolution 'Of the general body stating that the co-operative society does not have losses, accumulated or current;

(g) the statement on adjustment of accumulated losses, if any, certified by an auditor as correct:

(h) a declaration from advocate/chartered accountant, Shri/Shrimati ..... that all the requirements of this Act have been complied with by us in respect of registration.

7. Particulars about the general body meeting at which the decision to convert was taken.

Date of general body meeting	No. of members as on date of general body meeting	No. of members present at general body meeting	No. of members who voted for the conversion

8 Signed by us, dated..... at place.....

S. No.	Full name of the director	Designation	Signature

(Please note that there should be as many rows as there are directors. The signature of the chief executive, too, should be obtained.)



**Schedule E**  
**[Section 4(4)]**

**Certificate of Incorporation**

(for co-operative to be converted from

.....Co-operative Societies Act 19 ... )

Registrar of Mutually Aided Co-operative Societies

Government of.....

**Certificate of Registration under Section 4 of the**

..... **Mutually Aided Co-operative Societies Act** .....

I do hereby certify that the

.....

.....

is registered with No.....together with its  
memorandum and articles.

This co-operative is successor to, and is now deemed to have assumed all rights and obligations and assets  
and liabilities of its predecessor co-operative society the

.....

(Registration No .....Dt.....) hitherto registered under the..... Co-operative  
Societies Act

19., Whose registration now stands cancelled. All acts and transactions of the predecessor co-operative society  
shall stand devolved on this co-operative.

Given under my hand and seal  
this..... day of.....

Registrar of Mutually Aided Co-operative Societies  
Government of .....

## Schedule F

### [Section 6(3)]

#### Subject matter for specific consideration when framing articles of a co-operative

##### 1. Identity of the Co-operative

- (a) the name of the co-operative and any shorter name by which the co-operative is to be popularly known
- (b) the village/town/city where the registered office of the co-operative is to be located
- (c) the custody and use of the common seal'

##### 2. Aims and Services

- (a) the aim of the co-operative explicitly stated as a common central need of the members which the co-operative.
- (b) core services, and support services to members to fulfil the common central need stated in the aim
- (c) the conditions under which services may be provided to non-members

##### 3. Membership

- (a) form for applying for membership
- (b) form for declaring assets by member upon which arrears due to the co-operative shall be a first charge
- (c) eligibility, ineligibility for obtaining membership
- (d) eligibility, ineligibility for continuing membership
- (e) procedure for obtaining membership
- (f) procedure for withdrawing membership
- (g) procedure for termination of membership
- (h) circumstances under which membership ceases
- (i) procedure for cessation of membership

##### 4. Member Rights and Obligations

- (a) the rights of members
- (b) manner of fixation of minimum performance expected annually of each member vis-a-vis use of services, financial commitment, partici-

pation in meetings and adherence to articles in order to be eligible to exercise the rights of membership including the right to vote

- (c) the consequences of performing below the minimum level fixed
- (d) the consequences of default in payment of any sum due by a member

##### 5. General Body

- (a) the role of the general body and of the representative general body if any and subjects which must be dealt with by the general body and by the representative general body if any
- (b) the manner and frequency of convening general meetings and quorum required
- (c) the quorum necessary for adjourned meeting
- (d) conditions and manner in which arbitral tribunal may convene general meeting
- (e) the minutes of proceedings of general meetings
- (f) the person/s to take responsibility for and the manner of convening an extraordinary general meeting, and the period within which such meeting ought to be convened for the purpose of appointing an ad-hoc board

##### 6. Board of Directors

- (a) the size and composition of the board of directors
- (b) eligibility, ineligibility for becoming director
- (c) eligibility, ineligibility for retaining directorship
- (d) the procedure for election and removal of directors
- (e) the terms of office of the directors
- (f) the frequency of board meetings
- (g) the manner of convening board meetings and quorum

- (h) the functions and responsibilities of the board
- (i) the minutes of proceedings of board meetings
- (j) the function, responsibilities and powers of the directors
- (k) eligibility, ineligibility for being appointed by arbitral tribunal as member of ad hoc board
- 7. President and other office-Bearers**
- (a) the election and removal of president and other office-bearers, if any
- (b) the functions and responsibilities of the president and other office-bearers, if any
- 8. Chief Executive**
- (a) the manner of appointment and removal of Chief Executive
- (b) the functions and responsibilities of the Chief Executive
- 9. Finances**
- (a) the financial year which the co-operative wishes to adopt
- (b) the manner of appointment of auditors and their role
- (c) the manner of appointment of internal auditors and their role
- (d) the nature and amount of equity capital, if any, of the co-operative
- (e) the maximum capital which a single member can hold
- (f) the types and extent of funds to be raised
- (g) the purposes for which the funds raised by the co-operative may be applied
- (h) the equity-debt ratio that the co-operative wishes to maintain at all times, and the maximum external debt that a co-operative wishes to permit itself at any point of time
- (i) procedure for transfer of shares or interest by a member
- (j) procedure for redemption of shares by the co-operative
- (k) procedure for transfer or payment of interest on death of member
- (l) the nature and extent of the liability of the members for the debts contracted by the co-operative
- (m) the nature and extent of the liability of the directors for the debts contracted by the co-operative
- (n) the manner of disposal of funds if under liquidation
- (o) the manner of recovery of dues from members
- 10. Secondary Co-operatives**
- (a) the rights if any which the co-operative wishes to confer on any secondary co-operative of which it is a member and the circumstances under which these rights may be exercised by such secondary co-operative
- (b) the procedure for appointing and changing delegates to secondary co-operative
- 11. Arbitral Tribunal**
- (a) the manner of constitution and functioning of Arbitral Tribunal for settlement of disputes
- (b) eligibility, ineligibility for being chosen as arbitrator
- (c) eligibility, ineligibility for being continued as arbitrator
- (d) the manner in and conditions under which the arbitral tribunal may appoint ad hoc board
- 12. Other Matters**
- (a) the language in which the internal affairs of the co-operative are to be conducted
- (b) any provisions of transitory nature
- (c) the manner of dissolution of the co-operative
- (d) the manner of amending articles.

## ANNEXURE XXI

### Chapter

#### Co-operative Banks

1. The provisions of this chapter shall have overriding effect over other provisions of this Act or any other law for the time being in force
2. Notwithstanding anything to the contrary contained in this Act,
  - 1) the provisions of the Banking Regulation Act (as applicable to co-operative societies) shall

- apply to a co-operative bank registered under this Act.
- 2) no co-operative society other than a co-operative bank shall use as part of its name the words 'bank', 'banker' or 'banking',
  - 3) no co-operative society other than a co-operative bank shall accept deposits from any person other than its members or accept deposits withdrawable by cheque.
  - 4) no co-operative bank shall change its name open a new place of business or change its existing place of business outside the city town or village where it is located without the prior approval of the Reserve Bank
  - 5) every co-operative bank shall have at least 3 of its directors who have special knowledge or experience in the field of accountancy, law, banking, management, agriculture or rural economy,
  - 6) the Chief Executive Officer, by whatever name called: of a co-operative bank shall have such qualifications as may be specified by Reserve Bank.
  - 7) every co-operative bank shall have its account audited by a qualified chartered accountant in each financial year, subject to such directions as the Reserve Bank may issue from time to time.
  - 8) every co-operative bank shall abide by the directions, guidelines and prudential norms issued by the Reserve Bank from time to time in respect of acceptance of deposits, borrowing, lending, investment or any other financial matters,
  - 9) no co-operative bank shall be given exemption from the provisions of this chapter by the State-Government in exercise of its powers to exempt societies from the provision of the Act without the prior approval of the Reserve Bank.
- 10) a) the Reserve Bank may in the public interest or for preventing the affairs of the co-operative bank being conducted in a manner detrimental to the interests of the depositors or for securing the proper management of the bank, order the supersession of the board and appointment of an Administrator, therefore for such period or periods not exceeding five years in the aggregate as may from time to time be specified by the Reserve Bank, and the Administrator so appointed shall continue in office after the expiry of his term of office until the day immediately preceding the date of the first meeting of the new committee:
    - b) no order for supersession of the board of a co-operative bank shall be made by the Registrar without the prior approval in writing of the Reserve Bank:
    - c) an order of supersession of the board and appointment of Administrator, therefore made by the Reserve Bank shall not be liable to be called in question in any manner
- Explanation:**  
 "Co-operative bank" means a co-operative bank as defined in section 5 (CCI) of the Banking Regulation Act. 9-19 (as applicable to the co-operative societies),

**ANNEXURE VI**  
**India**

**PERFORMANCE OF PRIMARY AGRICULTURAL CO-OPERATIVE SOCIETIES (2009-2010)**

SL.NO	Name of States	Number of Societies		Total Membership	Paid up Share Capital		Total Deposits	Working Capital	Total Borrowings
		Total	Viable		Total	Govt.			
1	ANDAMAN & NICOBAR	46	39	9980	76.00	26.00	44.91	350.29	288.62
2	ANDHRA PRADESH	2721	2163	12405350	50510	1408.00	115337.00	3427810.00	478979.00
3	ARUNACHAL	33	11	19340	291.90	139.25	0.00	1774.47	1301.80
4	ASSAM	766	709	3034410	1536.00	996.00	0.00	11123.00	0.00
5	BIHAR	8463	8463	9637000	8888.00	3183.00	6672.00	49337.00	50115.00
6	CHANDIGARH	16	15	2860	5.00	0.00	3.00	23.00	9.00
7	DADRA & NAGAR	0	0	0	0.00	0.00	0.00	0.00	0.00
8	DELHI	0	0	0	0.00	0.00	0.00	0.00	0.00
9	GOA	79	59	81760	318.58	60.38	3291.45	5777.21	481.02
10	GUJARAT	1763	5027	2861330	48167.00	644.00	24121.00	574105.00	381043.00
11	HARYANA	628	628	2970000	42755.13	1404.95	37095.06	699239.84	448529.33
12	HIMACHAL PRADESH	2097	443	1068000	8449.00	1769.00	119097.00	157724.00	6378.00
13	JAMMU & KASHMIR	765	275	144220	641.00	329.00	119.00	7872.00	3719.00
14	KARNATAKA	4694	2946	7479240	59240.00	3622.00	161161.00	605819.00	37060000

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15	KERALA	1808	1324	12735090	69745.00	9551.00	2090705.00	2595153.00	278069.00
16	MADHYA PRADESH	4633	3373	4924040	37004.00	5369.00	50378.00	456070.00	291434.00
17	MAHARASHTRA	21240	13323	13668000	166444.00	692.00	10041.00	1293661.00	938810.00
18	MANIPUR	204	195	117000	212.00	17.00	65.00	432.00	135.00
19	MEGHALAYA	179	169	94060	589.15	423.38	268.06	2157.64	1265.76
20	MIZORAM	245	93	14910	116.00	79.00	0.00	632.00	0.00
21	NAGALAND	1719	457	13680	255.08	100.74	6419.23	11245.50	903.99
22	ODISHA	3565	2913	16106060	35317.00	7116.00	238150.00	615290.00	233160.00
23	PUDUCHERRY	52	23	155000	1746.00	1086.00	7002.00	12893.00	3306.00
24	PUNJAB	3990	3206	2264000	25815.00	214.00	90806.00	590107.00	402007.00
25	RAJASTHAN	5127	4491	4427600	33807.00	6438.00	31006.00	578661.00	280649.00
26	SIKKIM	169	158	28710	124.16	65.37	0.00	439.56	226.66
27	TAMIL NADU	4522	1952	9015740	62737.89	7057.48	344997.49	1124092.07	657360.47
28	TRIPURA	268	260	372810	1464.93	1195.21	440.45	10012.24	2659.95
29	UTTAR PRADESH	8929	7115	2748000	19247.00	4250.00	682.0.00	125926.99	97076.36
30	WEST BENGAL	8026	4072	17228490	25368.00	6439.00	130123.00	390915.00	156616.00
31	CHHATTISGARH	1213	1117	1745350	9367.00	1279.00	25003.00	99464.00	53753.00
32	JHARKHAND	208	60	121110	170.00	73.00	12Sa.00	1523.00	349.00
33	UTTARAKHAND	679	461	866000	4434.00	595.00	27571.00	69522.00	30964.00
	TOTAL	94647	65540	126419140	714841.82	65621.71	3528606.65	13519151.83	5176389.98

## PERFORMANCE OF PRIMARY AGRICULTURAL CO-OPERATIVE SOCIETIES (2009-2010)

SL NO	Name of States	LOAN ADVANCED DURING THE YEAR			Total Demand	Total Overdues	No. of societies in Profit	Total Employment
		Total Loan	Total Short Term	Total Medium Term				
1	ANDAMAN & NICOBAR	334.69	288.82	47.87	106.92	51.10	33	24
2	ANDHRA PRADESH	333920.78	300695.00	33225.78	376565.76	145770.05	951	10826
3	ARUNACHAL	0.00	0.00	0.00	0.00	0.00	12	150
4	ASSAM	794.25	713.00	81.25	319.88	42.27	309	6172
5	BIHAR	35252.75	35252.75	0.00	55101.11	27719.64	1180	2538
6	CHANDIGARH	14.36	3.90	10.46	14.36	5.99	15	2
7	DADRA & NAGAR HAVELI	0.00	0.00	0.00	0.00	0.00	0	0
8	DELHI	0.00	0.00	0.00	0.00	0.00	0	0
9	GOA	977.10	159.68	817.41	1609.25	766.29	56	463
10	GUJARAT	391727.18	361065.00	30662.18	435360.56	142770.36	47116	14433
11	HARYANA	431664.36	427857.41	3606.95	63103.4.35	242770.91	33	5574
12	HIMACHAL PRADESH	2667.00	106.00	2561.00	2611.00	632.00	1650	4116
13	JAMMU & KASHMIR	1288.41	982.00	306.41	3136.136	2451.30	275	628
14	KARNATAKA	326742.90	315898.00	108044.90	334609.24	64814.72	1909	16826
15	KERALA	2615277.27	1763093.00	652164.27	1852647.89	469366.64	772	16604

16	MADHYA PRADESH	249648.14	237106.00	12542.14	382276.58	174823.12	1832	16350
17	MAHARASHTRA	526417.00	-410595.00	117822.00	2635317.00	2080612.00	91169	28854
18	MANIPUR	310.00	310.00	0.00	305.92	294.28	0	0
19	MEGHALAYA	342.65	3.41.40	1.20	777.48	682.98	88	146
20	MIZORAM	65.95	53.46	12.49	85.68	36.87	83	205
21	NAGALAND	204.73	156.66	47.57	563.98	602.38	0	13
22	ODISHA	360199.40	303382.00	56817.40	3653.49.12	96157.73	1365	7736
23	PUDUCHERRY	3626.06	2906.00	918.08	2662.55	258.60	23	359
24	PUNJAB	625309.99	619918.00	5391.99	717563.58	90225.2	2504	9997
25	RAJASTHAN	301424.02	291268.00	16156.02	379538.16	129793.64	3290	6438
26	SIKKIM	323.50	310.23	13.27	0.06	0.06	78	338
27	TAMIL NADU	9548711.75	839455.59	115423.15	710196.93	104126.91	1537	19211
28	TRIPURA	12.68	4.94	7.74	2151.70	2044.88	67	607
29	UTTAR PRADESH	79747.00	78580.00	1167.00	121663.94	51566.94	4536	8045
30	WEST BENGAL	147184.13	117533.00	29651.13	186560.26	70166.99	2472	30216
31	CHANDIGARH	62752.64	57794.00	4958.64	90052.82	23743.12	816	4604
32	JHARKHAND	100.00	100.00	0.00	2379.65	2246.60	60	587
33	UTTARAKHAND	323.46.26	29147.00	3199.26	38900.49	8017.43	435	1566
	TOTAL	1493753.97	6195076.09	1218677.88	9549659.68	3952401.07	40936	215848



**ANNEXURE VII**  
**Sri Lanka (Annexure VII-XII)**

**12 Statistics of Top level Co-operative Societies**  
**12.8 Assets and Liabilities of Top Level Primary TCCS as at 2009.12.31**  
**Values in Rs. Million**

Mass & Liabilities

Co-operative Union	Long Term Liabilities	Mid Term Liabilities	Current Liabilities	Excess & Profit	Members Shares Funds	Total Liabilities
National Co-op Council of Sri Lanka	3	0	694	51	0	748
Sri Lanka TCCS Federation	13.3	-	-	263	23	419
Sri Lanka Co-op Rural Bank Union	732.0	0.0	170.0	-57.5	6.1	851
Sri Lanka Consumers Co-op Federation	249	0	340	-81	6	514
Sri Lanka Co-op Marketing Federation	41	23	261	-23	3	305
Sri Lanka Industries Co-op Union	45	10	31	-35	1	52
Sri Lanka Textile Weavers Co-op Union	0	6	6	5	2	9
Sri Lanka Coconut Produces Co-op Union	20	-	12	31	0	63
Sri Lanka SAKASA Federation	-	19.7	0.9	0.2	0.1	21
Sri Lanka Milk Producers Co-op Union	1.0	0.0	1.0	0.5	0.1	3
Sri Lanka Medical Services Co-op Union	0	0	0	-	0	0
Sri Lanka Fisheries Co-op Union	0.8	1.7	0.4	22	0.04	25
Sri Lanka Tea Producers Co-op Union	2.0	0.0	0.0	0.0	0.1	2
Sri Lanka Youth Services Co-op Union	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>1224.9</b>	<b>60.4</b>	<b>1516.3</b>	<b>176.2</b>	<b>41.1</b>	<b>3022</b>

Assets

Co-operative Union	Fixed Assets	Investments	Current Assets	Total Assets
National Co-op Council of Sri Lanka	21	637	90	748
Sri Lanka TCCS Federation	419	-	-	419
Sri Lanka Co-op Rural Bank Union	0.6	613.4	236.3	850
Sri Lanka Consumers Co-op Federation	83	47	384	514

Sri Lanka Co-op Marketing Federation	62	76	167	305
Sri Lanka Industries Co-op Union	31	2	19	52
Sri Lanka Textile Weavers Co-op Union	1	5	13	19
Sri Lanka Coconut Produces Co-op Union	5	29	29	63
Sri Lanka SAKASA Federation	0.3	20.3	0.7	21
Sri Lanka Milk Producers Co-op Union	0.3	-	2.0	2
Sri Lanka Medical Services Co-op Union	-	0.3	-	0
Sri Lanka Fisheries Co-op Union	5	0.5	20	25
Sri Lanka Tea Producers Co-op Union	0.1	2.0	-	2
Sri Lanka Youth Services Co-op Union	-	-	-	-
<b>Total</b>	<b>628</b>	<b>1,433</b>	<b>961</b>	<b>3.022</b>

## 12 Statistics of Top level Co-operative Societies

### 12.9 Total Performance of Top Level Primary TCCS -2009

Values in Rs. Million

Co-operative Societies Union	No. or	Deposits	Loans	Assets	Investment	Purchases	Sales	Net Profits
Top Level Primary TCCS (Institutional Society)	27	3798	7806	10323	1651	-	-	-
Top Level Other Primary TCCS	6	-		102	24	104	152	-1
Top Level TCCS Federation	14	1098	154	3022	1410	1926	3191	32
<b>Total</b>	<b>47</b>	<b>4896</b>	<b>7960</b>	<b>13447</b>	<b>3085</b>	<b>2030</b>	<b>3343</b>	<b>31.0</b>

### 13 Performances of all Co-operative Societies- Basic Statistics

#### 13.1 Performances of all Co-operative Societies Involved in Financial Services -2009

Values in Rs Million

Co-operative Organisation	Total Loans	Total Deposits	Total Assets
Provincial Primary Co-operative Societies	53206	37843	93395
Rural Bank Branches	18238	81887	26822
SANASA Society (Community)	3495	2587	N/A
(Institutional) SANASA	15715	2117	
Other Primary Society			
<b>Sub Total</b>	<b>90654</b>	<b>124434</b>	<b>62917</b>
Provincial Secondary Co-operative Society	* (1)	*(2)	* (3)
Rural Bank Union	3635	1170	19560
SANASA Society (Union)	N/A	N/A	1075
<b>Sub Total</b>	<b>3635</b>	<b>1170</b>	<b>20635</b>
Top Level Primary Co-operative Society	7806	3798	10323
Top Level Primary Co-operative Union	154	1098	1269
<b>Sub Total</b>	<b>7960</b>	<b>4896</b>	<b>11592</b>
<b>Total</b>	<b>102249</b>	<b>130500</b>	<b>152444</b>

\*(1) In "Total Loans" only Nwp Data is included (hl

\*(2) In "Total Deposit" datas of North, East, Uwa, Biyagama provinces are not included

\*(3) In "Total Assets" Datas of North, Uwa, Provinces are not included

### 03. Employment in Co-operative Societies

#### 3.6 Employment in Co-operative Societies in the Provinces

By Type of Societies, Province & Sex -2009

Type of Society	North		East		NCP		Uva		South		West		Central		NWP		Sabaragamuwa		Total		Total Male + Female	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female		
1 Multi Purpose	2,215	530	1,229	418	475	668	652	676	1,651	2,219	1,892	4,973	1,030	1,205	1,929	2,370	1,662	1,744	12,735	14,803	27,538	
2 Consumer	-	-	-	-	-	-	-	-	-	-	-	-	8	0	-	-	-	-	8	-	8	
3 SANASA	18	29	44	32	32	20	36	36	541	816	629	1,876	223	294	203	785	151	305	1,841	4,193	6,034	
4 Co-op Rural Bank	-	-	-	-	28	73	87	29	-	-	32	42	10	13	33	33	86	210	276	400	676	
5 Agriculture	823	169	15	4	4	5	-	-	75	184	197	106	76	54	40	27	13	20	1,239	569	1,808	
6 Fisheries	62	53	22	6	6	-	1	-	46	31	22	4	10	0	13	29	-	-	176	123	299	
7 Industrial	4	2	12	1	25	17	6	-	584	883	39	72	25	11	144	101	9	150	848	1,237	2,085	
8 Hospitals	11	18	-	-	-	-	-	-	51	184	39	71	5	4	39	78	-	-	145	355	500	
9 Housing	-	-	-	-	-	-	6	4	2	1	-	12	-	-	-	-	-	-	8	17	25	
10 Transport	4	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	3	7	
11 Labour	-	-	1	-	-	1	-	-	-	-	-	-	0	-	-	-	-	-	1	1	2	
12 Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
13 Youth Services	4	1	1	2	3	3	5	6	1	2	2	5	3	2	5	6	-	-	24	27	51	
14 School	1	3	3	5	3	3	-	-	573	862	3	16	-	6	1	8	-	-	581	903	1,484	
15 Self Employees	-	-	-	-	-	-	-	-	-	-	-	4	0	0	-	-	-	-	-	4	4	
16 Others	169	38	46	27	16	28	7	3	3,569	4,420	9	14	0	1	149	145	95	271	4,060	4,947	9,007	
Good Total	3,311	846	1,373	495	547	818	796	754	7,093	9,602	2,864	7,195	1,390	1,590	2,556	3,582	2,016	2,700	21,946	27,582	49,528	
Male+ Female	4,157	1,868	1,868	1,365	1,550	10,059	2,980	6,138	4,716	49,528	49,528	49,528	49,528	49,528	49,528	49,528	49,528	49,528	49,528	49,528	49,528	49,528

### 03. Basic Statistics on Primary Co-operative Societies

#### 3.7 All Island Primary Co-operative Societies and Membership -2009

Co-operative Societies (TCCS)	Registered Date	Registered No.	No. Members	No. Emp.
<b>All Island Thrift and Credit Co-operative Societies (TCCS)</b>				
01. Educational Employees TCCS Ltd.	1930.11.01	C 736	145,339	541
02. Postal & Telecommunication Employees TCCS Ltd.	1928.12.07	C 503	12,478	34
03. Railway, Roads & Public Works Department TCCS Ltd	1950.08.30	C 1707	164	1
04. Station Masters & Clerks TCCS Ltd.	1949.03.29	C 1849	1,176	4
05. Brown Group Technical & General Services TCCS Ltd.	1967.10.01	C 2383	441	1
06. Peoples Bank Employees TCCS Ltd.	1962.02.10	C 2286	4,143	7
07. Island Revenue Dept Employees TCCS Ltd	1973.07.25	931	1,132	3
08. Public Health Inspectors TCCS Ltd.	1938.04.28	303	859	2
09. Tate Engineering Co-orporation TCCS Ltd.	1968.08.29	C 2402	1,511	6
10. CWE Employees TCCS Ltd.	1963.02.26	C 2294	2,202	5
11. Samurthi Niyamaka & Agricultural Research Assistant's TCCS Ltd.	2001.05.09	C 25	5,206	5
12. Health Department Employees TCCS Ltd.	1938.03.30	C 290	37,591	68
13. Health Services Saving TCCS Ltd.	1959.11.19	C 2233	11,151	16
14. Colombo General Hospital Emp. TCCS Ltd.	1930.11.10	C 744	3,875	9
15. Public Services TCCS Ltd.	1926.12.31	C 326	11,149	32
16. Port Authority Employees TCCS (Bank) Ltd.	1997.09.27	C 16	3,154	13
17. Port Authority Employees Co-operative Bank	1989.12.20	C 02	9,156	19
18. CTB Employees TCCS Ltd.	1960.05.26	K.E.299	6,082	15
19. Survey Assistant TCCS Ltd.	1994.02.09	C 10	1,029	-
20. Registrar General Detp. TCCS Ltd.	1939.10.20	255.0	747	2
21. Prison Department TCCS Ltd.	1928.03.15	C 407	3,786	3
22. Estate Servant Housing TCCS Ltd.	2003.07.11	C 28	1,934	-
23. Graduate Government servent TCCS Ltd.	2006.11.29	C 31	51	-
24. Co-operative Dept: Staff Officers TCCS Ltd.	1956.10.01	C 2357	10	-
25. Sri Lanka Woman's Development Services Co-operative Department	1998.04.16	C 18	87,511	-

26. Prison Service Supplies & building Cons: Labour Co.op. Ltd.			53	-
27. National Water Supply & Drainage Board TCCS Ltd.	1998.04.16	C 31	175	8
28. All Island Exercise Books Manufacturar Co-operative Society Ltd.	1990.03.07	C 03	53	16
29. Sri Lanka Steel Industries Co-op Society Ltd.	1972.12.12	C 2502	25	14
30. Sri Lanka Printers Co-operative Society Ltd.	1962.08.10	C 2280	407	
31. Sri Lanka Exotic Plants & Orchid Growers Co-operative Society	1969.11.28	C 2409	4,762	13
32. All Island Small & Medium Business Grain Processers entreprenaurs Development TCCS Ltd.	2007.03.07	C 34	287	2
33. Beach Sein (Ma-Del) Owners Co-op Society Ltd.	1992.01.29	C 08	378	-
<b>Membership of All Island Primary Co-operative Societies</b>			<b>358,017</b>	<b>839</b>

### 03. Basic Statistics on Primary Co-operative Societies

#### 3.11 All Island Primary Co-operative Societies Members of the Board of Directors -2009

##### By Age

Name of Co-operative union	Below 35	36-44	45-53	54-62	Above 62	Total
Educational Employees TCCS Ltd.	-	7	5	3	-	15
Postal & Telecommunication Emp: TCCS Ltd.	2	2	9	2	0	15
Railway, Roads & Public Works Dept. TCCS Ltd	0	0	11	0	0	11
Station Masters & Clerks TCCS Ltd.	0	0	6	7	0	13
Brown Group Tech. & Gen. Services TCCS Ltd.	0	0	12	0	0	12
People's Bank Emp: TCCS Ltd.	0	3	5	3	0	11
Island Revenue Dept Emp: TCCS Ltd	0	3	7	4	0	14
Public Health Inspectors TCCS Ltd.	0	0	9	0	0	9
Tate Engineering Co-orporation TCCS Ltd.	0	4	6	5	0	15
CTB Employees TCCS Ltd.	1	1	0	4	0	6
CWE Employees TCCS Ltd.	3	2	2	-	-	7
Samur: Niya: & Agri: Research Asst: TCCS Ltd.	0	0	19	0	0	19
Health Department Employees TCCS Ltd.	-	2	4	19	-	25
Health Services Saving TCCS Ltd.	0	1	4	6	0	11
Colombo General Hospital Emp. TCCS Ltd.	0	7	3	3	0	13
Public Services TCCS Ltd.	2	4	10	5	-	21

Port Authority Employees TCCS (Bank) Ltd.	0	1	6	1	1	9
Prison Department TCCS Ltd.	0	16	1	0	0	17
Survey Assistant TCCS Ltd.	0	0	7	0	0	7
Registrar General Detp. TCCS Ltd.	2	3	1	3	0	9
Estate Servant Housing TCCS Ltd	1	0	4	8	5	18
Port Authority Emp: Co-operative Bank	0	10	0	0	0	10
Graduate Government servant TCCS Ltd.	6	3	0	0	0	9
Co-operative Dept: Staff Officers TCCS Ltd.	0	3	4	2	0	9
Prison Service Supp: & Building Cons: Labour Co-op Ltd	0	0	6	3	0	9
National Water Supply & Drainage Board TCCS Ltd.	0	0	9	0	0	9
Woman's Deve: Services Co-op Dept	2	5	17	2	0	26
All Island Exercise Book Manu. Co-op Society Ltd.	0	0	4	2	1	7
Steel Industries Co-operative Ltd.	0	0	6	1	0	7
Printers Co-operative Society Ltd.	0	1	2	3	9	15
Exotic Plants & Orchids Growers Co-op Ltd.	0	2	1	1	5	9
All Island Small & Medium Business Grain	0	0	3	8	0	11
Processers Entreprenours Development TCCS Ltd.						
Beach Sein (Ma Del) Owners Co-op Soc.	0	2	1	1	5	9
<b>Total</b>	<b>19</b>	<b>82</b>	<b>184</b>	<b>96</b>	<b>26</b>	<b>407</b>

Sources: Relevent Co-operative Societies

## ANNEXURE VIII

### 04. Secondary Level Co-operative Societies - Basic Statistics

#### 4.1 Secondary Level Co-operative Unions - 2009

(By Type Unions and Provinces)

Type of Society	North	East	NCP	Uva	South	West	Central	Wayamba	Sabaragamuwa	Total
01. District Co-operative Councils	5	4	2	2	3	3	4	3	2	28
02. TCCS Unions	6	8	1	2	4	4	7	16	3	51
03. Milk Product Coop. Unions	2	-	-	1	-	-	0	1	2	6
04. Consumer Coop. Unions	1		1	1	1	-	1	1	1	7
05. Coop. Rural Bank Unions	2	2	2	1	3	3	1	1	2	17
06. Agri. Production Coop. Unions	7	-	-	-	2	-	-	1	-	10
07. Fisheries Coop. Unions	19	14	-	-	3	1	-	2	-	39
08. Other Unions	11	2	-	-	-	-	-	3	6	22
<b>Total</b>	<b>53</b>	<b>30</b>	<b>6</b>	<b>7</b>	<b>16</b>	<b>11</b>	<b>13</b>	<b>28</b>	<b>16</b>	<b>180</b>

Source: Provincial Department of Co-operative Development

### 04. Secondary Level Co-operative Societies -Basic Statistics

#### 4.2 Members of Co-operative Organisation of Secondary Level Co-operative Unions-2009

(By Type Unions and Provinces)

Province Type of Society	North	East	NCP	Uva	South	West	Central	Wayamba	Sabaragamuwa	Total
	01. District Co-operative Councils	270	276	18	70	81	N.R.	131	231	92
02. TCCS Unions	810	800	-	636	903	N.R.	1,056	775	3	4,983
03. Milk Product Coop. Unions	20		-	14	-	N.R.	0	27	1	62
04. Consumer Coop. Unions	24		18	17	-	N.R.	22	48	2	131
05. Coop. Rural Bank Unions	38	25	20	24	30	N.R.	42	50	25	254



06. Agri. Production Coop. Unions	21		-	-	22	N.R.		-	-	43
07. Fisheries Coop. Unions	129	247	-	-	108	N.R.		18	-	502
08. Other Unions	28	97	-	-	3	N.R.	1,251	88	32	1,499
Total	1,340	1,445	56	761	1,147	N.R.	2,502	1,237	155	8,643

Source: Provincial Department of Co-operative Development

#### 04. Secondary Level Co-operative Societies -Basic Statistics

##### 4.3 Statistics on Employees of Co-operative Organisation at Secondary Level Province -2009 (By Province-excluding Uva and East Provinces)

Province	No. of Employees
North	211
East	-
NCP	2
Uva	-
South	80
West	45
Central	20
Wayamba	319
Sabaragamuwa	296
Total ( Male + Female )	973

Source: Provincial Department of Co-operative Development

## ANNEXURE IX

### 05. Teritary Co-operative Societies - Basic Statistics

#### 5.1 Eshtablnishment of Teritary Level Co-operative Organisations and Membership Data -2009

Name of the Union	Registered No	Registered date	Life Co-op Societies
01. National Co-operative Council of Sri Lanka	C 2490	1975.07.26	27
02. Sri Lanka Thrift & Credit Co-operative Federation	C 2651	1980.11.10	395
03. Sri Lanka Co-operative Rural Bank Federation	CI7	1997.12.05	13
04. Sri Lanka Consumers Co-operative Federation	C 01	1989.09.15	237
05. Sri Lanka Marketing Co-operative Federation	C 2504	1973.03.01	129
06 Sri Lanka Industries Co-operative Union	C 2527	1980.11.10	185
07 Sri Lanka Coconut Producers Co-operative Unions	C 1036	1942.04.01	8
08. Sri Lanka Textile Co-operative Union	C 2659	1981.09.02	13
09. Sri Lanka Milk Producers Co-operative Union	C13	1997.05.05	17
10. Sri Lanka Youth Services Co-operative Unions	C 2689	1986.01.01	25
11. Sri Lanka Fisheries Co-operative Federation	C 1227	1952.02.02	241
12. Sri Lanka SANASA Co-operative Federation	C 30	2005.11.21	7
13. Sri Lanka Hospital Services Co-operative Federation	C 33	2003.10.03	7
14. Sri Lanka Tea Co-operative Union	C 29	2003.10.26	6
<b>Total</b>			<b>1,310</b>

Source: Relevent Co-operative Unions

### 05. Teritary Co-operative Societies -Basic Statistics

#### 5.2 Teritary Level Co-operative Organisations -Employment -2009

##### By Sex Male / Female-Rank

Name of the Union	Managerial		Supervisory		Operational		Total		Total Male + Female
	Female	Male	Female	Male	Female	Male	Female	Male	
National Co-operative Council of Sri Lanka	0	0	0	0	0	0	26	27	53
Sri Lanka Thrift & Credit Co-operative Federation	1	3	8	3	1	2	10	10	20
Sri Lanka Co-operative Rural Bank Federation	1	1	0	1	4	4	5	6	11
Sri Lanka Consumers Co-operative Federation	3	5	0	1	30	28	33	33	66
Sri Lanka Marketing Co-operative Federation	3	3	25	14	9	47	37	64	101
Sri Lanka Industries Co-operative Union	3	4	0	3	3	41	6	48	54

Sri Lanka Textile Co-operative Union	0	1	0	1	1	2	1	1	2
Sri Lanka Coconut Producers Co-operative Unions	1	1	0	1	0	20	1	22	23
Sri Lanka Milk Producers Co-operative Union	0	2	3	2	2	1	5	5	10
Sri Lanka Resource Management Co-op Union	0	2					0	2	2
Sri Lanka Fisheries Co-operative Federation	0	1	0	0	1	1	1	2	3
Sri Lanka Hospital services Co-op Federation	0	1	0	0	0	0	0	1	1
Sri Lanka Tea Co-operative Union	0	1	0	0	0	0	1		1
Sri Lanka Youth Services Co-operative Unions	0	3	0	0	3	6	3	7	10
<b>Total</b>	<b>12</b>	<b>26</b>	<b>36</b>	<b>26</b>	<b>54</b>	<b>213</b>	<b>129</b>	<b>228</b>	<b>357</b>

Source: Relevant Co-operative Unions

## 05. Tertiary Co-operative Societies-Basic Statistics

### 5.3 Tertiary Level Co-operative Organisations Members of Board of Directors -2009 By Sex (Male | Femal)

Name of the Union	Female	Male	Total
National Co-operative Council of Sri Lanka		4	4
Sri Lanka Thrift & Credit Co-operative Federation	1	8	9
Sri Lanka Co-operative Rural Bank Federation	-	9	9
Sri Lanka Consumers Co-operative Federation	-	10	10
Sri Lanka Marketing Co-operative Federation	1	8	9
Sri Lanka Industries Co-operative Union	-	8	8
Sri Lanka Textile Co-operative Union	1	6	7
Sri Lanka Coconut Producers Co-operative Unions	1	4	5
Sri Lanka Milk Producers Co-operative Union	-	7	7
Sri Lanka Colombo General Hospital Co-op thrift & Saving Soc.	N/A	N/A	N/A
Sri Lanka Tea Co-operative Union	-	6	6
Sri Lanka Resource Management Co-op Union	1	6	7
Sri Lanka Youth Services Co-operative Unions	-	11	11
Sri Lanka Fisheries Co-operative Federation	1	6	7
<b>Total</b>	<b>6</b>	<b>93</b>	<b>99</b>

## 05. Teritary Co-operative Societies -Basic Statistics

### 5.4 National Level Co-operative Organisations Members of Board of Directors -2009

#### By Age

Name of the Union	Below 35	36-44	45-53	54-62	Above 62	Total
National Co-operative Council of Sri Lanka	0	0	0	4	0	4
Sri Lanka Thrift & Credit Co-operative Federation	0	0	0	8	1	9
Sri Lanka Co-operative Rural Bank Federation	0	1	0	4	4	9
Sri Lanka Consumers Co-operative Federation	0	1	2	6	1	10
Sri Lanka Marketing Co-operative Federation	0	1	4	2	2	9
Sri Lanka Industries Co-operative Union	0	0	5	1	2	8
Sri Lanka Textile Co-operative Union	0	0	0	4	3	7
Sri Lanka Coconut Producers Co-operative Unions	0	0	1	0	4	5
Sri Lanka Fisheries Co-operative Federation	0	-	5	2	-	7
Sri Lanka Milk Producers Co-operative Union	0	0	3	2	2	7
Sri Lanka Colombo General Hospital Co-op Thrift & Saving Society Ltd	N/A	N/A	N/A	N/A	N/A	N/A
Sri Lanka Tea Co-operative Union	0	0	6	0	0	6
Sri Lanka Resource Management Co-op Union	0	0	0	4	3	7
Sri Lanka Youth Services Co-operative Unions	10	1	-	-	-	11
<b>Total</b>	<b>10</b>	<b>4</b>	<b>26</b>	<b>37</b>	<b>22</b>	<b>99</b>

## ANNEXURE X

### 06. Statistics of Multi-Purpose Co-operative Societies (MPCS)

#### 6.22 Assets and Liabilities of MPCS - 2009 (Rs. Million)

Description	North	East	NCP	Uva	South	West	Central	NWP	Sabaragamuwa	Total
<b>1. Fixed Assets</b>										
Land Building	142	275	87	60	2,050	4,027	267	518	14	7,4
Machinery & Equipment	14	24	14	6		424	31	21	2	5
Transportation	23	33	17	23		617	67	143	27	9
Tools	36	55	121	59		1,345	190	260	27	2,09
<b>2. Investments</b>										
Institutional Shares	80	12	9	22	13,741	112	360	367	7	14,71
Debentures	41	53	88	26		0	16	271	0	49
Long-term Deposits	474	83	62	238		1,655	423	2,178	674	5,78
Long-term Bonds	173	35	6	0		268	22			50
Others	270	80	111	79		3,809		1,401	85	5,83
<b>3. Current Assets</b>										
<b>Stocks</b>	474	95	128	105	21,499	550	249	381	85	23,55
Members Debtors	240	161	602	660		3,922	1,849	3,954	673	12,06
Other Debtors	308	190	479	605		1,057	387	750	50	3,82
Short-term Bills	5	51	10	60		0.15	36	307	0	47
Cash in Hand & Bank	73	86	80	110		354	298	221	48	1,26
Other Current Assets	757	204	144	265		3,889	1,034	374	222	6,88
Other Assets	193	128	621	371		1,029	192	1,519	912	4,96
Deficit	232	242	92	276	2,611	236	120	197	246	4,25
<b>Total</b>	<b>3,535</b>	<b>1,809</b>	<b>2,669</b>	<b>2,966</b>	<b>39,901</b>	<b>23,295</b>	<b>5,541</b>	<b>12,860</b>	<b>3,072</b>	<b>95,64</b>

Source: Provincial Department of Co-operative Development

## Owners Fund and Liabilities

Description	North	East	NCP	Uva	South	West	Central	NWP	Sabaragamuwa	Total
I. Capital & Resources										
Members Shares	27	59	31	23	2,612	215	120	104	13.5	3,204
Reserves and Balances	1,151	386	227	215		2,343	550	1,218	296.3	6,422
2. Long-term Liabilities								0	0.0	
Long-term Govt. Loans	77	39	65	21	2,144	20	197	7	7.9	2,578
Long-term Bank Loans	68	83	52	51		429	300	71	65.4	1,119
Other Long-term Liabilities	126	144	46	89		605	181	81	131.7	1,403
Long-term Deposits	13	49		111		419	7	188	5.5	793
3. Medium-term Liabilities								0	0.0	0
Govt. Loans	14	11	91	0	5,756	1	383	11	7.1	6,273
Govt. Bank Loans	55	4	27	27		14	32	11	0.0	169
Other Medium term Liabili:	63	92	240	28		692	57	600	1.8	1,772
4. Current Liabilities								0	0.0	0
Govt. Loans	94	4	243	8	2,248	0	30	21	0.8	2,649
Govt. Bank Loans	16	12	8	105		0	7	8	15.2	171
Private Bank Loans	26	5	8	0		0	0	61	6.0	106
Members Deposit	144	120	728	1,122		5,220	1,888	5,467	2,117.5	16,806
Trading Debtors	345	262	156	96		452	396	266	82.2	2,055
Bank Overdrafts (Consumer)	43	85	55	70		247	138	227	119.4	983
Other Bank Overdrafts	25	34	20	25		59	64	75	0.0	302

Recurrent Expenditure	149	25	80	91		97	14	365	33.5	854
Other Current Liabilities	706	355	463	553		2,731	917	1,352	47.1	7,125
5. Other Liabilities	237	24	1	277	2,257	5,494	260	1,480	83.6	10,113
Surplus	156	17	131	19	24,885	4,258	0	1,247	37.2	30,750
<b>Total</b>	<b>3,535</b>	<b>1,809</b>	<b>2,669</b>	<b>2,966</b>	<b>39,901</b>	<b>23,295</b>	<b>5,541</b>	<b>12,860</b>	<b>3,072</b>	<b>95,648</b>

Source: Provincial Department of Co-operative Development

## 06. Statistics of Multi-Purpose Co-operative Societies (MPCS)

### 6.23 Business Performance of MPCSs -2009

#### By Province Value in Rs. Million

Details	North	East	Nep	Uva	South	West	Central	Nwp	Sabaraga	Total
No. of Multi Purpose Co-op Sod	47	46	27	17	34	38	42	33	23	307
No. of Wholesale Stores	46	47	20	20	49	69	37	59	51	398
No. of Retail Shops	523	564	319	341	990	1064	663	704	772	5940
No. of Co-op Cities	30	52	28	30	44	48	42	51	33	358
No. of Mini Co-op Cities	92	101	N.A.	33	30	80	121	168	115	740
Societies with Profit	15	27	16	9	17	19	14	2	13	132
Societies with Losses	16	19	9	8	17	8	9	31	10	127
Total Sales	5,830	1741	12696	4235	5163	16407	8232	9830	6291	70425
Wholesale Business	343	314	395	467	470	3284	156	419	562	6411
Retail Business	3,817	912	1106	659	1801	5572	993	3998	2306	20601
Fuel	1670	515	11195	3109	2892	7551	7083	5413	3985	43413
Samurdhi	576	105	577	271	636	1417	407	607	815	5411
Other	399	33	74	21	256	771	17	160	2	1733
Net Profit	30	38	0	276	63	176	331	475	0	1088
Total Assets	3,535	1809	2669	2966	39901	23295	5541	12860	3072	95648

Source: Provincial Department of Co-operative Development

## Performances of all Co-operative Societies -Basic Statistics 13.2

Performances of all Co-operative Societies involved in Consumer Field -2009

Values in Rs. Million

Co-operative Organisation	Total Purchases	Total Sales	Net Profit	Total Assets
Provincial Primary Co-operative Societies				
Multi purpose	-	70425	1088	95648
Other Primary Societies	-	1820	-	6569
Provincial Secondary Co-operative Society	-	*(1) 128	-	*(2) 140
Top Level Primary Co-operative Society	104	152	-1	102.2
Top Level Primary Co-operative Union	1926	3191	32	1723
<b>Total</b>	<b>2030</b>	<b>75716</b>	<b>1119</b>	<b>104212.2</b>

Source: Provincial Co-operative Development Departments

\*(1) Only the Datas of Dairy Union of Wayamba Province are included

\*(2) Datas of Consumer & Agricultural Societies of Wayamba Datas of fisheries Societies of Eastern Province are included

## 13 Performances of all Co-operative Societies -Basic Statistics

13.3 Assets & Liabilities of all Co-operative Societies -2009

Values in Rs. Million

Co-operative Organisation	Total Liabilities			Total Assets		
	Exernal Loans	Shares Capital & Reseves	Total Liabilities	Fixed Assets	Current Assets	Total Assets
Provincial Primary Co-operative Societies						
Multi purpose	86022	9626	<b>95648</b>	38351	57297	<b>95648</b>
Other Primary Societies	-	-	<b>6569</b>	-	-	<b>6569</b>
SANASA Societies	24004	2819	<b>26822</b>	7362	19460	<b>26822</b>
Provincial Secondary Co-operative Society	-	-	<b>20775</b>	-		<b>20775</b>
Top Level Primary Co-operative Society						
Institutional SANASA	5957	4365	<b>10323</b>	6469	3854	<b>10323</b>
Other Societies	56	46	<b>102</b>	38	64	<b>102</b>
Top Level Primary Co-operative Union	2801	221	<b>3022</b>	2061	961	<b>3022</b>
<b>Total</b>	<b>118840</b>	<b>17077</b>	<b>163261</b>	<b>54281</b>	<b>81636</b>	<b>163261</b>

Source: Provincial Co-operative Development Departments



## ANNEXURE XI

### 02. Employment in Co-operative Societies

#### 2.1 statistics on employees of Co-operative Societies in Sri Lanka -2008-2009

Type of Co-operative Society	2008			2009		
	No. of Employees		Total No. of Employees	No. of Employees		Total No. of Employees
	Male	Female		Male	Female	
<b>Provincial Primary Co-operative Societies</b>						
Multi purpose	12,539	13,679	26,218	14,803	12,735	27,538
SANASA (TCES)	1,372	3,641	5,013	4,193	1,841	6,034
Agriculture	1,078	412	1,490	569	1,239	1,808
Industrial	316	382	698	1,237	848	2,085
Fisheries	156	129	285	123	176	299
Hospital	179	211	390	355	145	500
Others	1,104	1,358	2,462	6,302	4,962	11,264
<b>All Island Primary Co-operative Societies</b>						
Industrial SANASA	470	294	764	493	293	786
Other Co-operative Societies	36	16	52	16	37	53
<b>Secondary Co-operative Societies</b>			675		973	973
National No. of Employees National Le: Societies	138	294	432	129	228	357
<b>Total No. of Employees</b>	<b>17,388</b>	<b>20,416</b>	<b>38,479</b>	<b>28,220</b>	<b>23,477</b>	<b>51,697</b>

Source: Central & Provincial Dept. of Co-operative Development

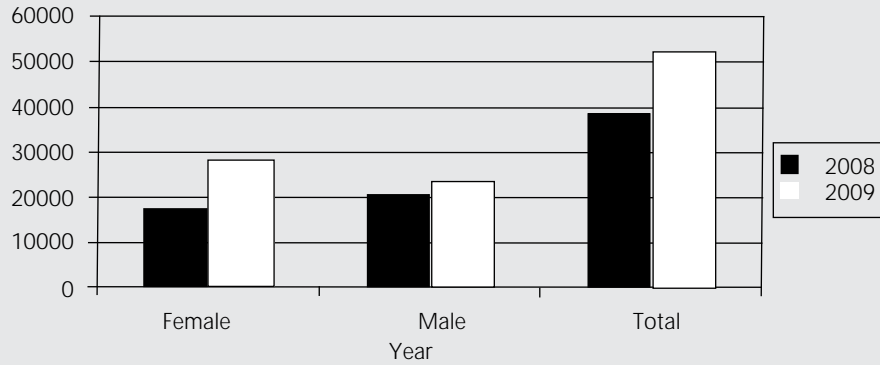
### Total Employment in Co-operative Societies (By Sex Male/Female) 2008-2009

Table No 03

	2008	2009
<b>Male</b>	17388	28220
<b>Female</b>	20416	23477
<b>Total</b>	38479	51697

### Total Employment in Co-operative Societies

(By Sex Male/Female) 2008-2009



## ANNEXURE XII

### 03. Basic Statistics on Primary Co-operative Societies

#### 3.1 Active Primary Co-operative Societies by Province -2009

(By Provinces -Excluding Inactive Co-operative Societies)

Type of Society	North	East	NCP	Uva	South	West	Central	Wayamba	Sabaragamuwa	Total
<b>01. MPCP</b>										
MPCP	47	46	26	17	34	38	41	33	23	305
<b>02. Consumer</b>			-							
Other Cons.	-	-	-		-	-	1	-	-	1
Estate Stores	-	-	-	12	-		5	-	4	21
<b>03. Thrift &amp; Credit</b>			-							
<b>SANASA (Institutional)</b>		21	5	16	46	4	514	22	50	678
Emp:) <b>SANASA (Community)</b>	417	448	147	231	1,124	984		361	495	4,207
<b>SANASA Banks</b>	-	-	7	3	3	-	16	396	224	649
Other	-	-	-	4				-	-	4
<b>04. Coop Rural Banking Soc.</b>	-	-	-	4	-	2	2	1	-	11
<b>05. Agricultural &amp; Livestock</b>										
Tea		-	-	1	4	-	-	-	-	5
Rubber	-	-	-	1	-	-	-		2	3
Coconut	-	-	-	-	-	2	-	4	-	6
Palmyra	26	2	-	-	-	-	-	-	-	28
Agri. Productivity Villages	5	-	-	-	1	1	1	1	-	9
Other Agricultural	3	10	1	10	2	19	12	33	-	90
Livestock -I filk	2		3	14	3	2	12	35	4	75
Other Livestock	22	27	-	-	1	-	-	3	-	53
Fisheries-Fresh water	21	32	20	23	16	1	14	7	2	136
Fi-sheries-Marine	145	317	-	-	69	23	-	85	-	639
<b>06. Industries</b>										
Textile	1	8	1	1	4	4	2	2	2	25
Carpentry	-	1	-	1	1	-	-	-	-	3
Pottery	-	1	1	4	4	4	-	7	4	25

Coir	-	-	-	-	7		-	-	2	9
Readymade Garments	-	-	-	-	-	-	-	-	-	0
Coconut	-		-	-	-	-	-	7		7
Others	1	22	15	6	21	20	16	48	1	150
<b>07. Hospitals</b>	1	-	-	-	2	1	-	1	-	5
<b>08. Housing</b>	-	1	-	76	4	45	163	-	52	341
<b>09. Transport</b>	1	-	-	-	-	-	-	-	-	1
<b>10. Labour</b>	8	10	1	-	-	-	-	-	-	19
<b>11. School</b>	20	16	5	31	13	27	79	58	8	257
<b>12. Youth Services</b>	3	3	2	2	3	2	2	2	2	21
<b>13. Welfare</b>	18	8	1	-	1	3	-		-	31
<b>14. Self-reliance</b>	-	-	-	-	1	-	-	301	-	302
<b>15. Self employed</b>	-	1	-	-	-	-	-	-	-	1
<b>16. Others</b>	6	25	-	61	290	44	16	63	12	517
<b>Total</b>	<b>7.7</b>	<b>999</b>	<b>237</b>	<b>518</b>	<b>1,654</b>	<b>1,226</b>	<b>896</b>	<b>1,470</b>	<b>887</b>	<b>8,634</b>

Source: Provincial Department of Co-operative Development

### 03. Basic Statistics on Primary Co-operative Societies

#### 3.2 Registered Primary Co-operative Societies by Province-2009

(Types of societies and Provinces)

Type of Society	North	East	NCP	Uva	South	West	Central	Wayamba	Sabaragamuwa	Total
<b>01. MPCP</b>										
MPCP	47	46	26	17	34	38	42	33	23	306
<b>02. Consumer</b>					-			-		-
Other Cons.	-	-	-	2	-	-	4	-	-	6
Estate Stores	-	-	-	23	-	-	36	-	11	70
<b>03. Thrift &amp; Credit</b>										
<b>SANASA (Institutional)</b>	0	35	8	17	46	71	888	35	50	1,150
<b>SANASA (Community)</b>	1338	886	250	579	1327	1010		603	622	6,615
<b>SANASA Banks</b>	-	-	7	3	3	232	16	410	228	899

Other	-	-	-	4	-	-	-	-	-	4
<b>04. Coop Rural Banking Soc.</b>	-	-	2	4	-	2	2	1	-	11
<b>05. Agricultural &amp; Livestock</b>			-	-		-	0		-	
Tea	-	-	-	1	4	-	-	-	1	6
Rubber	-	-	-	3	-	4	-	-	72	79
Coconut	-	-	-	7	-	3	-	13	2	25
Palmyra	40	14	-	-	1		-	-	-	55
Agri. Productivity Villages	5	-	-	12	2	1	2	2	4	28
Other Agricultural	23	34	30	57	3	31	26	53	2	259
Livestock -Milk	10	-	8	41	1	3	31	77	6	177
Other Livestock	34	47	14	-	-	-	-	6	3	104
Fisheries-Fresh Water	29	46	11	29	26	1	18	13	2	175
Fi-sheries-Marine	214	389	-	-	127	51	-	143	-	924
<b>06. Industries</b>	-								-	
Textile	3	9	1	2	3	7	3	2	2	32
Carpentry	3	6	5	2	1	3	10	-	2	32
Pottery	5	2	1	5	4	12	1	10	4	44
Coir	-	-	-	3	7	-	-	-	2	12
Readymade Garments	-	-	-	-	-	-	-	-	-	-
Coconut				-		-	-	7	-	7
Others	16	37	41	19	21	38	38	268	3	481
<b>07. Hospitals</b>	3	-	-	-	1	2	46	1	-	53
<b>08. Housing</b>	6	18	-	92	7	52	169	-	89	433
<b>09. Transport</b>	3	-	-	-	-	-	1	-	-	4
<b>10. Labour</b>	21	39	2	-	-	-	5	-	-	67
<b>11. School</b>	79	86	42	141	59	108	252	211	200	1,178
<b>12. Youth Services</b>	5	3	2	2	3	2	3	2	2	24
<b>13. Welfare</b>	33	14	1	-	1	2	-	12	2	65
<b>14. Self-reliance</b>	-			-	1	-	-	443	-	444
<b>15. Self employed</b>	3	2	-	-	-	-	-		-	5
<b>16. Others</b>	16	25	17	109	275	84	63	91		680
<b>Total</b>	<b>1936</b>	<b>1738</b>	<b>470</b>	<b>1174</b>	<b>1957</b>	<b>1757</b>	<b>1656</b>	<b>2436</b>	<b>1332</b>	<b>14,454</b>

Source: Provincial Department of Co-operative Development

### 03. Basic Statistics on Primary Co-operative Societies

#### 3.3 Primary Co-operative Societies Membership by Provinces -2009

(Types of Societies and Provinces)

Types of Society	North	East	NCP	Uva	South	West	Central	Wayamba	Sabaragamuwa	Total
<b>01. MPCP</b>										
MPCP	392,855	221,949	230,915	204,199	603,504	2,016,599	390,227	725,267	575,031	5,360,589
<b>02. Consumer</b>										
Other Cons.	-	-	-	-	-	-	469	-	-	465
Estate Stores	-	-	-	4,614	-	928	7,765	-	2,916	16,223
<b>03. Thrift &amp; Credit</b>										
<b>SANASA</b> (Institutional	0	2,365	2,189	3,552	14,339	105,727	43,276	6,656	4,407	197,113
Emp.) <b>SANASA</b> (Community	32,112	41,672	13,689	28,760	155,950	399,185	56,057	74,897	178,858	981,18
<b>SANASA</b> Banks	-	-	852	991	4,490	20,541	6,242	128,928	46,137	208,18
Other	-	-	-	6,674	-	-	-	-	-	6,67
<b>04. Coop Rural Banking Soc.</b>										
<b>05. Agricultural &amp; Livestock</b>										
Tea	-	-	-	260	4,271	3,960	-	18,641	-	43,18
Rubber	-	-	-	-	-	163	-	-	-	-
Coconut	-	-	-	-	-	1,984	-	1,019	104	3,10
Palmyra	26,203	756	-	-	-	-	-	-	-	26,95
Agri. Productivity Villages	429	54	-	-	152	117	448	211	99	1,51

Other Agricultural	1,380	1,069	1,620	1,220	-	3,458	4,348	863	-	13,95
Livestock -milk	6,053		794	1,069		2,405	18,060	5,149	307	33,8
Other Livestock	24,456	5,957	-	-	-	-	-	2,920	240	33,5
Fisheries-Fresh Water	1,438	5,152	1,766	1,459	-	41	1,851	179	184	12,0
Fi-sheries-Marine	31,739	39,441	-	-	7,992	8,117	-	19,618	-	106,90
<b>06. Industries</b>	-	-	-	-	-	-	-	-	-	-
Textile	122	2,455	283	136	420	4,638	13,791	371	375	21,5
Carpentry	141	38	-	65	-	580	-	-	56	8
Pottery	93	51	34	201	-	499	-	493	255	1,6
Coir	-	-	-	-	185	48	-	-	54	-
Readymade Garments	-	-	-	-	-	-	-	-	-	-
Coconut	-	-	-	-	-	-	-	1,962	-	-
Others	952	1,603	425	-	3,353	473	1,709	2,262	98	10
<b>07. Hospitals</b>	4,020	-	-	-	8,537	44,084	59,974	2,926	-	59
<b>08. Housing</b>	-	493	-	32,900	3,796	4,810	-	-	29,698	129
<b>09. Transport</b>	665	-	-	-	-	-	367	-	-	-
<b>10. Labour</b>	430	2,011	384	-	-	4,228	89,815	49,346	6,096	244
<b>11. School</b>	10,577	20,785	3,015	4,901	13,530	46,215	78,651	84,629	27,442	278
<b>12. Youth Services</b>	7,966	10,028	3,937	22,099	14,450	29,315	78,651	84,629	27,442	278
<b>13. Welfare</b>	1,966	914	20	-	-	7,062	-	-	140	10
<b>15. Self-employed</b>	-	61	-	-	-	2,088	-	10,872	-	13
<b>16. Others</b>	673	1,067	608	5,902	8,028	8,413	4,382	2,757	2,189	34
<b>Total</b>	<b>544,234</b>	<b>357,921</b>	<b>262,571</b>	<b>323,672</b>	<b>842,997</b>	<b>2,720,254</b>	<b>787,736</b>	<b>1,139,966</b>	<b>875,895</b>	<b>7,855</b>

Source : Provincial Department of Co-operative Development

## Basic Statistics on the Co-operative Societies

1,1 Number of Co-Operative Societies and Membership, -2008-2009 (by organisational level)

Year	2008				2009				
	Number of Societies		Membership		Number of Societies		Membership		
Types of Society	Registered Societies	Active Societies	Individuals	Societies	Registered Societies	Active Societies	Individuals	Societies	Number of Employees
<b>Primary Co-operative Organisation:</b>									
All Island Primary Co-operative Societies	14,911	9,477	6,791,601		14,454	8,634	7,855,246		49,528
Secondary Level Co-operative Organisation	49	33	350,687		48	33	358,017		839
<b>Secondary level Co-operative Organisation:</b>									
Co-operative unions in the Provinces	194	194		7,095	180	180	-	*	*
<b>Tertiary Level Co-operative Organisation:</b>									
National Level Apex co-operative Organisations	15	14		1,232	15	14		1,310	357
<b>Total</b>	<b>15,169</b>	<b>9,718</b>	<b>7142,288</b>	<b>8,327</b>	<b>14,697</b>	<b>8,861</b>	<b>8213,263</b>	<b>9,953</b>	<b>51,697</b>

Sources: Provincial Department of Co-operative Development

Note \* Except Western province

Note \* Except Uva & Eastern Province



## 01. Basic Statistics on the Co-operative Societies

### 1.2 Number of Co-operative Societies, Membership and Employees -2009 (by Society)

Organisational Level	Number of Societies		Membership	Number of Employees
	Registered Societies	Active Societies	Individuals	
01. Multi Purpose	306	305	5360,58	27,538
02. SANASA Societies			9	
Provincial Level	8,668	5,549		6,034
National Level	42	27	1,378546	786
03. Unions			352,105	
Provincial Level	180	180		973
National Level	15	14	1,702	357
04. Other Societies-Provincial Level				
Agricultural	744	269	122,807	1,808
Industrial	608	219	37,221	2,085
Fisheries	1,088	775	118977	299
Health	53	5	59,567	500
Other	2,987	1512	777,539	11,264
OS, Other Societies -National Level	6	6	5,912	53
<b>Total</b>	<b>14,697</b>	<b>8,861</b>	<b>8,214,965</b>	<b>51,697</b>

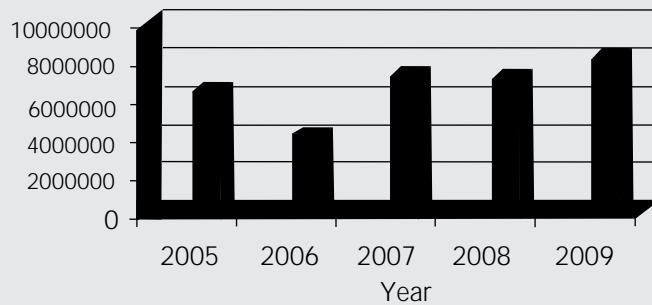
Sources: Provincial Department of Co-operative Development

### Total Membership in Co-operative Societies 2005-2009

Table No 01

Year	Number of Employees
2005	6433099
2006	4042950
2007	7359343
2008	7143401
2009	8214965

### Total Membership in Co-operative Societies 2005-2009

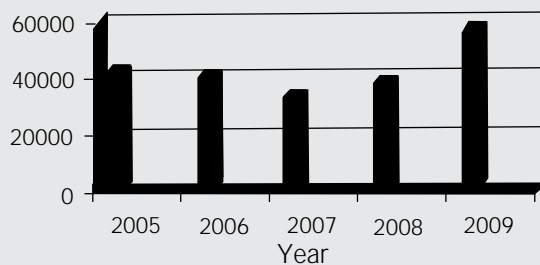


### Employment in Co-operative Societies 2005-2009

Table No 02

Year	Number of Employees
2005	40099
2006	40700
2007	30624
2008	38479
2009	51705

### Employment in Co-operative Societies 2005-2009



## ANNEXURE XIII

## Japan

**CO-OP****2010 FACTS & FIGURES**

April 2010 to March 2011

**Consumer Co-op Societies in Japan**

	Unit	FY2009	% 10/09	FY2010 (million US\$)
Number of Consumer Co-ops		606	608	-
Retail Co-ops		481	472	-
Health Co-ops		116	115	-
Housing & Insurance Co-ops		8	8	-
Membership	thousand	25,839	26,210	-
Total Share Capital	billion yen	709	729	9,331
Total Business Turnover	billion yen	3,319	3,322	42,519
Retail Sales Amount	billion yen	2,911	2,894	37,041
JCCU Wholesale Amount	billion yen	416	394	5,043
				1 U.S. dollar = ¥78.13

**Retail Co-ops\* (JCCU Member Co-ops)**

	Unit	FY2009	FY2010	% 10/09	FY2010 (million US\$)
Number of Retail Co-ops		151	140	-7.3	-
Membership	thousand	18,586	18,929	1.8	-

Han Groups	thousand	1,904	1,688	-11.3	-
Han Members	thousand	4,874	4,612	-5.4	-
Han Member Ratio	%	35.3	30.4	-13.9	-
Total Turnover of Retail co-ops	billion yen	2,646	2,644	-0.1	33,841
Total Retail Sales of all Retail Co-ops	billion yen	2,552	2,549	-0.1	32,625
Retail stores sales	billion yen	956	935	-2.2	11,967
Home delivery service sales (group + individual)	billion yen	1,578	1,593	1.0	20,389
Individual Delivery Sales	billion yen	920	947	2.9	12,121
Amount of Monthly Purchase/Member	yen	12,024	11,766	-2.1	us\$151
Total Share Capital	billion yen	585	602	2.9	7,705
Average Share Capital	yen	31,930	31,818	-0.4	us\$407
Co-op Bonds	million yen	50,484	47,165	-6.6	604
Number of Retail Stores		1,026	1,018	-0.8	-
Total Stores Sales Area	m <sup>2</sup>	1,194,789	1,211,698	1.4	-
Number of Full-time Employees		25,956	25,817	-0.5	-
Total Market Share	%	2.8	2.8	38.0	-
Food Market Share	%	5.6	5.6	0.0	-

\*Retail co-ops: Retail co-ops do not include institutional and university co-ops

Note: The amount of U.S. Dollar is converted based on yen-dollar exchange rate (TIS) prevailing at August 10 2011:1 US. Dollar = 78.13 yen

\*Han is defined as the smallest unit of co-op membership. One Han consist of 3-5 household members.

## JAPANESE CONSUMERS' CO-OPERATIVE UNION

## Retail Co-ops

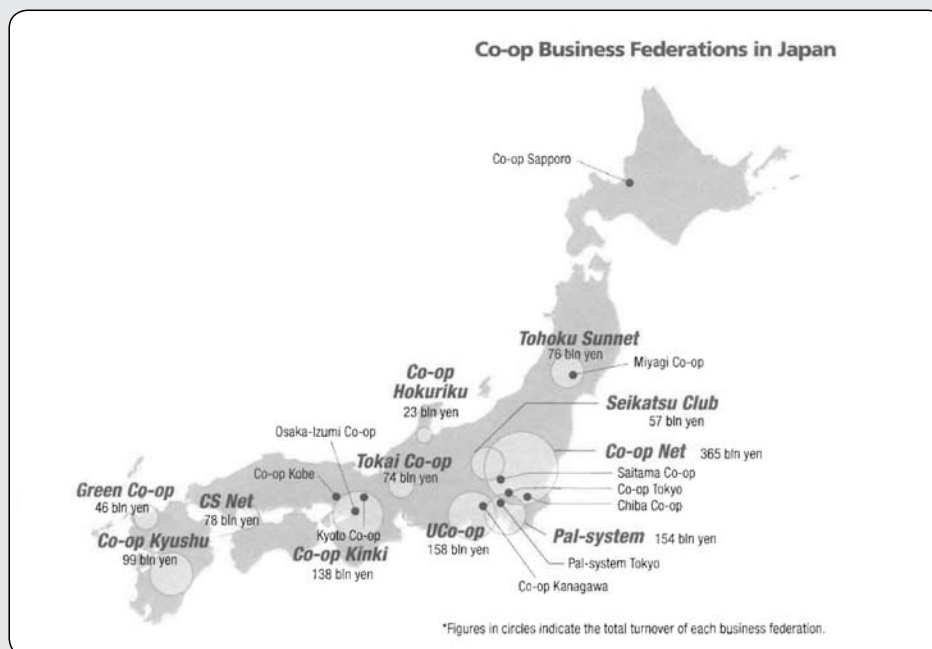
**Retail Co-ops** supply a wide-range of consumer goods and services to their members.

There are five types of retail co-ops.

- Community-based Retail Co-ops serve local residents through stores, home delivery and catalog mail-order sales.

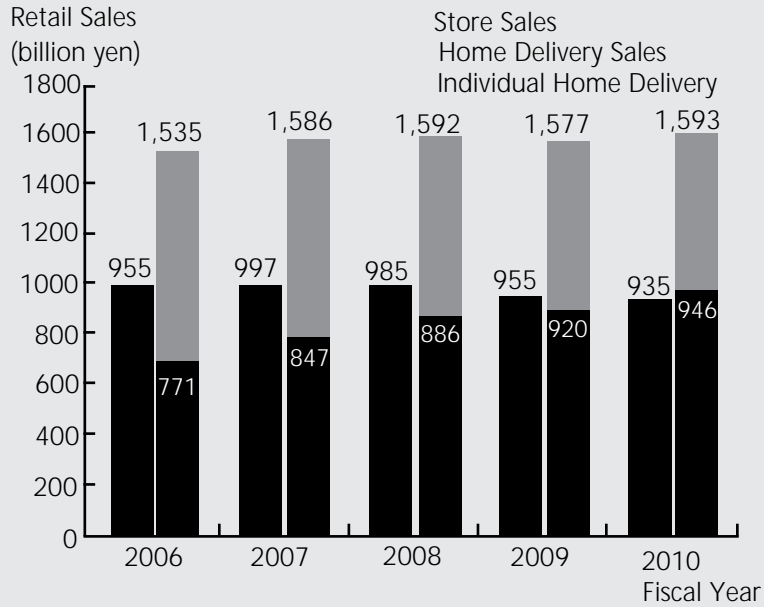
### Top 10 Retail Co-ops in Japan

	Turnover (¥ million)	10/09 (%)	Membership	10/09 (%)
Co-op Sapporo	254,440	4.2	1,362,134	2.3
Co-op Kobe	241,858	-6.6	1,421,545	1.0
Co-op Tokyo	157,102	-1.4	1,244,092	2.5
Co-op Kanagawa	135,778	-3.8	1,236,269	1.2
Saitama Co-op	105,187	-1.1	847,899	2.9
Miyagi Co-op	101,824	-2.6	627,203	2.0
Chiba Co-op	88,596	0.3	648,994	3.8
Kyoto Co-op	71,334	1.0	490,793	1.8
Pal-system Tokyo	67,594	-2.5	400,143	1.6
Osaka-Izumi Co-op	64,970	6.5	413,195	8.7

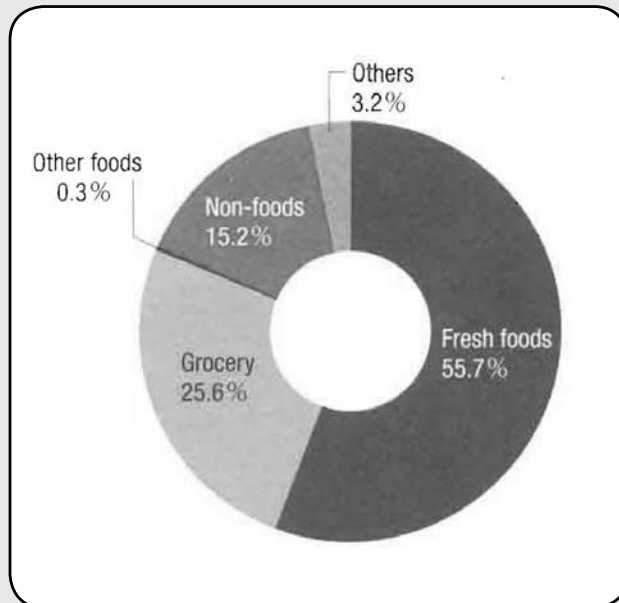


## Breakdown of Sales

### Retail Sales by Type of Operation



## Percentage of Retail Sales by Product Category



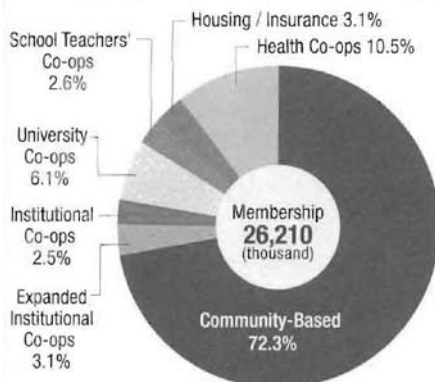
University Co-ops serve students and faculty members in universities and colleges through operating bookstores, convenience stores, cafeterias and other services.

Co-op societies	225
Members	1,554,173
Turnover (¥ million)	191,667
Full-time employees	1,554

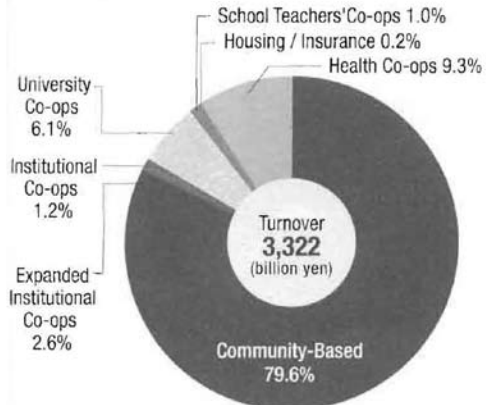
Source: The National Federation of University Co-operative Association;

- School Teachers' co-ops serve teachers at both public and private elementary, junior and senior high schools, mainly through catalog mail-order sales and home delivery.
- Institutional co-ops serve employees at their work-places through operating stores and canteens.
- Expanded Institutional co-ops serve both employees and residents in neighboring residential areas.

### Percentage of Membership by type of Consumer Co-ops



### Percentage of Turnover by type of Consumer Co-ops



### Health Co-ops

Health co-ops serve members by operating hospitals and clinics, where preventive health care is emphasized, and friendly, convenient services are provided. Some provide bathing and meal services for the elderly.

Co-op Societies	115
Members	2,748,922
Han groups	26,644
Han members	197,612
Hospitals with 20 or more beds	77
Clinics with less than 20 beds	349
Beds	12,584
Doctors	1,982
Nurses	11,266
Other staff	19,555
Turnover (¥ billion)	308.4

### Insurance Co-ops

Insurance Co-ops offer life and other insurance products that suit members' needs with more reasonable premiums and better coverage. There are two types of Insurance federations; the Japan CO-

OP Insurance Consumers' Co-operative Federation (JCIF), which is a Union of 164 consumer co-operative Societies from across the nation which are affiliated with JCCU and the other, the National Federation of Workers and Consumers Insurance Co-operatives (ZENROSAI) which offers insurance mainly to trade union members.

### JCIF

Co-op societies	157
Policies	7,415,905
Premium income (¥ million)	151,691
Claims paid (¥ million)	56,562
Full-time employees	3056

### ZENROSAI

Co-op societies	58
Policies	34,540,000
Premium income ( ¥ million)	576,600
Claims paid (¥ million)	358,600
Full-time employees	3,379

Source: National Federation of Work and Consumers Insurance Co-operatives

### HOUSING Co-ops

Housing co-ops provide houses, make extension or reconstruction of buildings etc. to co-op members at reasonable price. It includes independent regional housing co-ops that are members of JCCU, that provide services to its members in cooperation with real estate developers. ZENJUREN is a national federation of housing co-operative societies which coordinate the business activity of housing co-ops.

### ZENJUREN

Co-op societies	20
Members	863,057
Housing units constructed	127
Full-time employees	605

\*Source : National Federation of Housing Co-operative Societies (lenjuften).05

### Outline of JCCU (fiscal year 2010 from March 21, 2010 to March 20, 2011)

#### Profit and Loss Statement

	¥ thousand
Sale	393,504,382
Cost of Sales	351,419,667
Gross Surplus	42,084,715
Membership Dues	1,231,623
Contractual Commission	6,856,557
Revenue from Management service and Laboratory	152,603
Other Revenue	338,022
Total Surplus	50,663,523
Trading Expenses	49,779,154
Trading Surplus	884,368
Non-trading Revenue	1,874,964
Non-trading Expenses	618,625
Current Surplus	2,140,707
Extraordinary Profits	1,473,785
Extraordinary Losses	2,355,154
Surplus for the Fiscal Year before Taxation	1,259,338
Taxes	88,481
Net Surplus for the Fiscal Year	1,170,857

#### Profile

Head Office	3-29-8 Shibuya, Shibuya-Ku Tokyo 150-8913 Japan Tel +81-3-5778-8103 Fax: +81-3-5778-8 104
Established	March 1951
President	Mr. Asada Katsumi
Member societies (incl. Business Federation)	363
Full-time Employees	1,085



JCCU Wholesale amount (¥ Million)	393,504
Membership Dues (¥ thousand)	1,231,623
Share Capital (¥ thousand)	9,064,710

**Balance Sheet** (as of March 20, 2011)

ASSETS	¥ thousand
Current Assets	88,008,328
Fixed Assets	
Tangible Assets	64,009,339
Intangible Assets	5,650,030
Other fixed Assets	52,653,507
Total	122,312,878
Total Assets	210,321,207

LIABILITIES AND CAPITAL	¥ thousand
Current Liabilities	99,977,825
Fixed Liabilities	14,803,702
Total Liabilities	114,781,528
Share Capital	9,064,710

Legal Reserves	9,026,000
Voluntary Reserves	72,276,000
Unallocated Surplus	5,134,159
Total Reserves	86,436,159
Shareholder's Equity	95,500,869
Net asset	95,539,679
Total Liabilities and Capital	210,321,207

**As the sole national consumer co-operative organization, JCCU fulfils the following functions:**

- Formulation of co-op national policies
- Representation of co-op's views at the national and international levels.
- Planning, development and supply of Co-op brand products.
- Procurement and distribution of products including national brand products and imports,
- Other business operations including catalog and internet sales.
- Coordination of member activities at the national level.
- Guidance of member co-op management and staff education through correspondence courses and seminars.

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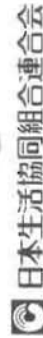
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AMERICA, INC.**



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E-mail: kokusai@jccu.coop

**ANNEXURE XIV - Iran**  
**Co-operative Development Bank**  
**Financial Statements of the Fiscal Year 2010-11**

**1-Balance Sheet**

Assets	March 20 2011	March 20 2010	Liabilities & Share- holders' Equity	March 20 2011	March 20 2010
	Million IRR			Million IRR	
<b>Assets:</b>			<b>Liabilities:</b>		
Cash	54,449	13,350	Sight Deposits	3,653,293	2,451,262
Dues from Central Bank of Iran	841,497	336,708	Payable Tax	(19,096)	6,877
Dues from Banks	3,863,267	4,571,107	Other Payable Accounts and Reserves	580,258	1,586,766
Granted Facilities & Claims from Nongovernmental Sector	9,123,774	8,375,017	Savings Deposits	1,448,412	1,295,925
Other Accounts & Receivables	95,187	24,794	Investment Term Deposits	4,475,412	3,373,310
Long-Term Investments in Subsidiary Companies	14,355	3,855	Other Deposits	12,814	15,412
Intangible Assets	1,939	1,651	Redemption Reserve of Years Personnel Services	168,944	121,527
Fixed Assets	<u>1,070,623</u>	<u>429,395</u>	Items in Transit	--	4,132
Other Assets	<u>350,027</u>	<u>149,146</u>	Total Liabilities	<u>10,320,038</u>	<u>8,855,211</u>
Items in Transit	20,176	--			
			<b>Shareholders' Equity</b>		
			Capital	5,000,000	5,000,000
			Legal Reserve	15,485	25,680
			Other Reserves	5,000	5,000
			Accumulated Profit	94,771	19,133
			Total Shareholders' Equity	5,115,256	5,049,813
Total Assets:	<u>15,435,294</u>	<u>13,905,024</u>	Total Liabilities and Shareholders' Equity:	<u>15,435,294</u>	<u>13,905,024</u>
Below the Line Items:			Below the Line Items:		
Granted Facilities from Managed Funds	848,520	638,175	Managed Funds	1,475,958	836,181
Managed Funds Not Consumed	695,670	444,045	Profit of Next Years – Managed Funds	68,231	246,039
Customers' Commitments for L/Gs and Issued Admission	42,441	30,299	Bank's Commitments for L/Gs & Issued Admissions	42,441	30,299
Customers' Commitments for Concluded Contracts	55,631	51,606	Bank's Commitments for Concluded Contracts	55,631	51,606
Disciplinary Accounts	101,058,441	43,607,747	Party to Disciplinary Accounts	101,058,441	43,607,747
Total Below the Line Items:	<u>102,700,702</u>	<u>44,771,872</u>	Total Below the Line Items:	<u>102,700,702</u>	<u>44,771,872</u>

**Tosee Taavon Bank**  
**Profit and Loss Statement**  
**Fiscal Year 2010-11**

**2-Profit and Loss Statement**

Description	March 20 2011		March 20 2010
	Million IRR		Million IRR
<b>A) Joint Incomes</b>			
Received Profit and Recognizance from Granted Facilities		1,028,766	567,971
<b>Deduction:</b>			
Profit Paid on Accounts for Investment Deposits		<u>(376,527)</u>	<u>(207,036)</u>
Bank's Share from Joint Incomes		652,239	360,936
<b>B) Non-Joint Incomes:</b>			
Miscellaneous Incomes	367,456		216,869
Received Commission	<u>16,302</u>		2,680
Total		<u>383,758</u>	<u>219,550</u>
Total Incomes		1,035,997	580,485
<b>C) The Costs Deduced</b>			
- Personnel Expenses	(647,730)		(334,969)
- Administrative Expenses	(266,346)		(106,583)
- Cost of Doubtful Claims	(14,032)		(97,378)
- Depreciation Expenses	(28,878)		(13,928)
- Banking Services Commission	(3,252)		(120)
- Other Expenses	<u>(32)</u>		--
		<u>(960,270)</u>	<u>(552,978)</u>
Profit before Tax Deduction		75,727	27,507
Tax (25%)		<u>(18,932)</u>	<u>(6,877)</u>
Net Profit		<u>56,795</u>	<u>20,630</u>

**ANNEXURE XV**  
**Tosee Taavon Bank**  
**Profit and Loss Statement**  
**Fiscal Year Ending 2010-11**

**Cumulative Profit (Loss) Statement**

Description	March 20 2011		March 20 2010
	Million IRR		Million IRR
Net Profit		56,795	20,630
Accumulative Profit at the Beginning of Fiscal Year	19,133		42,374
<b>Deduced or added:</b>			
Annual Adjustments	<u>60,492</u>		(28,743)
Profit and Loss - Adjusted		<u>79,625</u>	<u>13,632</u>
Allocable Accumulative Profit		136,420	34,262
<b>Profit Allocation:</b>			
Legal Reserve (15%)	(11,359)		(4,126)
40% of the Announced Profit	<u>(30,291)</u>		(11,003)
Total Allocations Done		<u>(41,650)</u>	<u>(15,129)</u>
Profit of Fiscal Year		<u>94,771</u>	<u>19,133</u>

As the constitutes of the comprehensive profit and loss statement is limited to the annual adjustments and the profit and loss of the fiscal year, the mentioned comprehensive profit and loss statement is not presented.

**Tosee Taavon Bank  
Cash Flow Statement  
Fiscal Year Ending 2010-11**

**3- Cash Flow**

Description	March 20 2011		March 20 2010
	Million IRR		Million IRR
Operating Activities:			
Net Cash Outflow arising from Operating Activities		760,031	<u>(4,833,345)</u>
Income Tax:			
Income Tax Paid	(38,028)		
Investment Activities:			
Funds Paid for Investments	(10,500)		(3,850)
Net Funds arising from Selling Fixed Assets	85		47
Net Funds Paid for Purchasing Fixed Assets	(670,202)		(163,326)
Net Funds Paid for Purchasing Intangible Assets	<u>(288)</u>		--
Net Cash Outflow arising from Investment Activities		<u>(680,905)</u>	<u>(167,129)</u>
Financing Activities:			
Funds from Government's Capital Increase		--	5,000,000
Net Cash Inflow arising from Financing Activities		<u>          --</u>	<u>5,000,000</u>
Net Increase in Cash		41,099	(474)
Cash Balance at the Beginning of Fiscal Year		<u>13,350</u>	<u>13,824</u>
Cash Balance at the End of Fiscal Year		<u><u>54,449</u></u>	<u><u>13,350</u></u>

# Statement on the Co-operative Identity

## Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

## Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

## Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

### 1st Principle: Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

### 2nd Principle: Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

### 3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

### 4th Principle: Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter to agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

### 5th Principle: Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

### 6th Principle: Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

### 7th Principle: Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

## ABOUT THE AUTHOR

**Author: Mr. Rangan Dutta. IAS (Retd.)**

Born in 1942 and educated at the universities of Calcutta and New England, NSW Australia, Rangan Dutta joined the Assam cadre of the Indian Administrative Service in 1966 and held senior appointments under the state governments of Assam and Meghalaya which included Secretary, Agriculture etc and Revenue Departments in Assam and Principal Secretary Finance, Planning, Forests and Chairman, Administrative Reforms in Meghalaya in the rank of the Chief secretary and in the Central Ministries of Home, Defence, Tribal Affairs and Rural Development at the level of Joint/Additional and Secretary to the Government of India and headed the Tribal cooperative Marketing Federation of India (TRIFED), New Delhi, India's largest multistate co-operative society to serve tribal people. He superannuated in 2002 from the post of Director General, Council for Advancement of Peoples Action and Rural Technology, Government of India. He had acquired rich expertise in Technology transfer and Rural Development and had served on several Appraisal Missions of the World Bank during 1976-79 as Agricultural Extension Specialist in Rajasthan, Madhya Pradesh, Andhra Pradesh in India and Afghanistan on Agricultural Research-Extension and Afghan Wheat Projects.

On superannuation, he served as Senior Consultant in Planning Commission (voluntary action, Bamboo and Bio Fuels Programmes) and from December 2003 – December 2011, as Scientific Consultant in the office of the Principal Scientific Advisor to the Government of India under the Rural Technology Action Group initiative. He had reviewed for the Tata Consultancy Service in 2004 the performance of NGO sector in India under a Japan Bank for International Co-operation (JBIC) Project, served as a Member of the Experts Group constituted by the Ministry of Tribal Affairs, Government of India to frame the Rules under the Scheduled Tribes and other Traditional Forests Dwellers (Recognition of forest Rights) Act 2006, Member-Academic Council, National Defence College, Ministry of Defence and is presently a member of the Experts Group on North East studies at (i) Rajiv Gandhi Institute of Contemporary studies, (ii) the Asiatic Society Calcutta and (iii) School Board at the School of Continuing Education, Indira Gandhi Open University (IGNOU). He has authored a text book on the role of Voluntary Sector in Rural Development for M.Sc Rural Development course of the Indira Gandhi National Open University, and is a regular contributor of articles to the Daily Statesman and other papers/journals on strategic issues of development especially relating to North East region.

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