Guidelines

Co-operative Policy

For Pacific Island Countries
ILO/Danida
FOREWORD

This policy guideline has been prepared so that it may assist the individual Pacific Island countries in drafting of a policy paper for their specific situation. These guidelines could be used as a draft for discussion in the participatory process. It has been prepared in conjunction with Standard Pacific Legislation and an accompanying Co-operative Laypersons guide.


In order to ensure that the new co-operative policy is accepted it is necessary for the target group (co-operative members, leaders and other co-operative players) to be involved from the earliest possible stage of its development. Ideally, the participatory approach should start from the "idea" stage. This early involvement will ensure that target groups adopt the ownership of the document from the on-set.

A participatory approach guarantees that co-operative principles are translated into an acceptable policy, and that genuine co-operative structures are developed. To achieve best results, the participatory approach must be allocated a considerable amount of time and resources. If the participatory process is to be effective, then decision-makers must appreciate that the exercise will be both time-consuming and costly.

The potential social and economic benefits of the participatory approach cannot be underestimated and should not be compromised in any way.

The advantages of Participatory Co-operative policymaking are:

- Reforms are based upon an agreed among all parties after a process of consultation and extensive dialogue;

- People understand and endorse the new policy and the new legal framework, because they have participated in their formulation, and

- Respect of laws is more likely when people can identify with the underlying policy.

Participation requires communication and information. This means that all those who are involved in the policy making process must be kept informed and must have access to all documents which will be examined during regional and national workshops. This implies that the documents are to be written in a clear, legible style; in many countries, it will be necessary to translate the documents into the major vernacular languages spoken by the people.¹

Contents

FOREWORD .......................................................................................................................2
Contents ...........................................................................................................................3
Preface............................................................................................................................4
Vision Statement..............................................................................................................5
Guiding Principles of the policy document .................................................................6
Introduction......................................................................................................................7
Definition of a Co-operative Society Limited .................................................................8
Reasons for Promotion of the Co-operative Movement ..................................................9
Background & context of Co-operative Societies in the country .....................................10
Summary of Sub-regional Situation ..............................................................................10
   Brief history of co-operatives ....................................................................................10
   Mechanisms for promotion and support ....................................................................11
   Main activities of co-operatives .................................................................................11
Issues to be Addressed ...................................................................................................14
   Environment for co-operative development ............................................................14
   Self-reliance and growth ............................................................................................14
   Member benefits ........................................................................................................14
   Management and business efficiency ........................................................................15
   Employment creation ...............................................................................................15
POLICY STATEMENTS ..................................................................................................17
   Political ......................................................................................................................17
   Legal ..........................................................................................................................17
   Administrative ..........................................................................................................19
   Promotional ................................................................................................................22
   Co-operative Movement infrastructure .....................................................................27
   Co-operative Infrastructure Diagram .......................................................................28
   Constraints .................................................................................................................29
   Implementation ..........................................................................................................30
      Agencies ..................................................................................................................30
      Proposed Time Frame for Revitalisation...............................................................30
APPENDICES ..................................................................................................................31
   1. Principles, Characteristics and Practises of Co-operatives ....................................31
      Co-operative Principles .........................................................................................31
      Characteristics of Co-operatives ............................................................................32
      Co-operative Practises ..........................................................................................34
   2. ILO Recommendation 127 ..................................................................................37
   3. Co-operative Reform Committee members ........................................................38
**Preface**

*The purpose of the Preface is to make clear the role of a policy paper.*

Public Policy is defined in many ways. The way in which public policy is defined will produce what that policy looks like. A number of definitions of public policy exist and it has been suggested that they all reduce to the following: public policy is whatever governments chose to do or not to do.

This policy document has been prepared with this understanding: that the policy statements describe the government’s policy-in-intention. In other words, this is a statement of the goals and intents of the government for co-operative societies.
**Vision Statement**

It is the intention of the Government that this policy document, when implemented will facilitate the creation of a vibrant co-operative movement in the country.

It is hoped that co-operatives will represent a major component of private sector enterprise, providing income and employment opportunities for a significant number of people, especially in the rural areas of the country.

The nature of a vibrant co-operative movement will include an autonomous, self reliant and sustainable apex body which is effectively and efficiently meeting the needs of the primary and secondary co-operative societies.

The role of government will be reduced to a policy level involvement and ensuring that the legislative and administrative framework is functioning fairly and efficiently. The establishment of a co-operative advisory body will provide the mechanism for communication between the co-operative movement and the Ministry responsible for co-operative affairs. In addition the government will assist with the promotion and education of co-operative societies.

The policy dissemination, and passage of new legislation should be complete within 6 months. Other policy measures may take 2-3 years to initiate but it is hope that within a 5 year time frame the co-operative movement will be revitalised.
Guiding Principles of the policy document
(This section states the principles and ethos of the policy document)
The following Principles have guided the formation of this policy document:

1. Co-operatives are private enterprise business organisations.
   This means that co-operative societies are owned by their members and that members must have full control of the business. Government does not own the co-operative societies nor does it have any powers to dictate any business decisions.

   It also means that members are fully responsible for the success or failure of the co-operative. Members alone should benefit from any success and members should also bear the consequences of failure.

   Being a business organisation implies that the co-operative is free to compete with other businesses, that it is entitled to the same services as other business and also has to compete under the same conditions as other businesses.

2. Co-operatives are public organisations.
   Co-operative societies are businesses in which members of the public are free to join, subject to the by-laws of a society. Therefore, the public is entitled to a legal and administrative framework that is thorough, fair and efficient.

3. Co-operative Societies are “self-help” organisations.
   Co-operative societies are one of the best ways for communities to organise themselves, in a business manner, to achieve common objectives and help share the benefits of economic development.

   Co-operative societies should be treated as partners with the government because they help to maintain a fairer distribution of income. Capitalist enterprise tends to an unequal distribution of income where the rich get richer and the poor poorer. Co-operative societies help to maintain equality because people are rewarded for the work they do and not the money they have.

   Co-operative societies uphold values that are important socially and religiously and therefore it is appropriate that Government, Churches and other institutions support and encourage the development of co-operative societies.

4. Co-operative Societies require a free democratic state to grow.
   Members of co-operative societies need to have freedoms of speech, association, movement and trade to be able to make their co-operative societies work. At the same time, members are entitled to adequate levels of education so that they can be informed of their rights and duties. Co-operative societies require adequate infrastructure and fair and honest processes so that they can develop and respond to economic opportunities.
**Introduction**

*(This section introduces the ideas that will be presented in the policy paper)*

The purpose of this policy document is to clearly state the intentions of the Government with regards to revitalising the co-operative movement in the country.

Co-operative societies are recognised as an appropriate type of business organisation because they facilitate communal ownership of resources, enable economies of scale, have a consensus decision-making process and an equitable mechanism for distributing the benefits of wealth creation.

The development of this policy document has been participatory in nature and it therefore reflects the intentions of Government shaped by the desires of the co-operative movement and wider community.

This policy paper is presented in a number of sections. It begins with the guiding principles that shaped the formation of these policy statements, subsequently the document states a definition of a Co-operative Society Limited. Next, the reasons that the government has chosen to promote co-operative types businesses are explained. This is followed by a description of the background of the Co-operative movement in the country. Central to the policy document are the policy statements. A descriptive statement follows each specific policy statement. These descriptive statements are intended to give clarification, detail or reference for each policy statement. Presented in the Annex is a detailed description of what is meant by a co-operative. This description covers the nature, characteristics, principles and practices of co-operative societies.

An abbreviated explanation of the recommendations included in ILO recommendation 127 is also included in the Appendix.
**Definition of a Co-operative Society Limited**

“A co-operative is an association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.”

The government or any other body does not control this association of people. It is an independent group of people who do not have to take direction from any other body or person although it is subject to co-operative legislation.

The members of the co-operative have a common bond, whether it is their locality or aspirations. This bond is inclusive, it does not discriminate on grounds of ethnicity, sex or religion. The way that the co-operative operates is restricted by co-operative legislation and how they relate to each other is defined in their own laws as set out in the co-operative’s by-laws.

Co-operatives are generally for the economic benefit of its members but may be set up for social and cultural needs as well. Community groups are free to pursue economic objectives and if they want to acquire the privileges of a co-operative society are required to register as a co-operative. Registration will be a simple process requiring evidence of member support and the production of a set of by-laws.

Co-operatives are distinct from charitable trusts (associations of people for non-profit making objectives), limited companies (business organisations for profit controlled by the owners of the capital) or statutory authorities (government controlled organisations).

A key characteristic of a co-operative is that decision-making and profit distribution is not related to the amount of money a member has put into the society. Each member has equal say irrespective of the amount of money they have put into the society. Furthermore, the financial benefits of the business of the co-operative are distributed to the members in proportion to their trade with the co-operative.
Reasons for Promotion of the Co-operative Movement

By formulating and expressing this policy, the Government expresses its commitment to the co-operative sector as a vital part of the economy and civil society. Co-operative societies are recognised as an appropriate type of business organisation for our context in the Pacific Islands. This commitment to the co-operative sector is consistent with ILO recommendation 127 which is supported by more than 170 countries, see Appendix 2 for more details.

Co-operatives are broad-based participative organisations capable of contributing significantly to the economic and social development of a country. As people-based organisations, they particularly focus on the needs and requirements of their members. In this context, co-operative type structures can provide a mechanism to address problems of isolated communities and groups experiencing social and economic stress in both urban and remote settings. Additionally, they provide a means for such people to increase their income and participate democratically in the development process.

Co-operative Enterprise is an important and natural partner of Private Enterprise. Co-operatives are at times the seeding ground of small business development. They also provide the means by which individual businesses can come together to maximise their potential through such steps as the joint ownership of value-adding technology, the bulk purchase of supplies, and the co-operative marketing of produce. There is much overlap between the needs of the private and co-operative sectors.

Co-operatives can also help markets function more efficiently. They are a way of addressing market failure and ensuring access and entry to small players otherwise prohibited from participating as producers, consumers or workers. Their presence in the market provides a competitive yardstick with which to judge other participants. The democratic structure of a co-operative enables not only the owners of the capital (as in a company structure) but also all suitably qualified members to have a voice in the economic direction of their organisation.

Co-operatives can be appropriate because of the community ownership of land and other resources. Co-operatives offer a mechanism for maintaining communal ownership while using the resources for production and income creation. The co-operative society offers a way of rewarding those that work the resources and alternatives for the distribution of the benefits of the use of resources.

In addition, co-operatives are considered appropriate because the decision-making processes of consensus and recognition of all members of society is harmonious with traditional decision-making processes.
Background & context of Co-operative Societies in the country
(This section should contain an historical account of the co-operative movement, the present status, importance and problems of the co-operative movement in the country. Below is a summary of the sub-regional situation)

Summary of Sub-regional Situation

This section will summarise (and to an extent generalise) the history of co-operatives in the sub-region, the environment created by governments in the form of policies, legislation and promotion, the present set-up and support mechanisms for co-operative development, and the activities of the co-operatives now operating.

Brief history of co-operatives
The enactment of co-operative legislation and the establishment of the first registered co-operatives were in all countries (except Tonga) on the initiative of the colonial governments and with the help of a co-operative department or unit in a government ministry. This formalisation of the co-operative idea took place over a period of about 25 years (Fiji in 1947 and Tonga in 1973), but before that time several groups had already started to operate on a co-operative basis. With the legislation in place and a government promotion and monitoring system established, these groups now became registered co-operatives.

In most countries the number and market share of co-operatives increased considerably during the initial years, and secondary co-operatives were established for various groupings or types of co-operatives. Favourable, though perhaps paternalistic, government policies were pursued and thus the governments, through their co-operative departments, played an active role in promoting co-operatives through assigning them specific roles, through loans and grants, and through the provision of training and advice aimed at their development. Co-operative laws generally remained unchanged, the Registrars therefore retaining the initiative as well as their powers and much of the control of the operations of co-operatives.

When most governments reduced their involvement and interest in co-operatives, increased their promotion of private small scale businesses, removed their preferential treatment of co-operatives, and cut down on their support in the form of advice and training, many co-operatives were not able to compete. Several primary co-operatives ceased to operate and some secondary co-operatives and national federations were also closed down. However, while the number and importance of other co-operatives were reduced during that time, a strong credit union movement emerged in most countries and took the place of failing savings and loans co-operatives.

---

It is obvious that the early support of governments helped to build up an extensive network of co-operatives in several countries of the sub-region. However, this support and influence may also have prevented co-operatives from developing into an independent and self-reliant socio-economic sector. Governments did not generally consider that their assistance to co-operatives should ‘not entail obligations contrary to their independence’ but should be ‘designed to encourage rather than replace the initiative and efforts of members’ (ILO Recommendation 127). When to a greater extent forced to fend for themselves, many co-operatives were therefore relatively unprepared, structurally, economically, and in respect of human resources.

Mechanisms for promotion and support
No federations of co-operatives are in existence in the Solomon Islands and Samoa, and those existing in Fiji and Vanuatu are not supporting their member co-operatives in respect of business advice, training, member education, public information, promotional efforts, accounts, audit, or marketing and supply. With the exception of Tonga, where some of the above services are provided by the federation, the primary co-operatives are therefore largely on their own and are only supported by the respective government co-operative departments. In most countries a number of training and member education programmes are conducted through such government departments, but in others hardly any training and education is arranged - neither by the government, nor by outside agencies. Advice on management and business development is only provided to a limited degree by government departments and assistance from commercial agencies is generally too expensive for the co-operatives. No programmes are in existence for informing the public on the characteristics and operations of co-operatives. In most countries co-operative departments are not only responsible for regulatory functions such as registration, arbitration and liquidation, but also for the audits of co-operatives. Considering the number of department staff vis-à-vis the number of co-operatives, most of their time is therefore used on these statutory functions - and in particular on audits and on helping to prepare the accounts for such audits.

The vacuum created as a result of the reduced developmental efforts of governments and the non-existing or not-yet-ready co-operative apex organisations have left most co-operative movements in the sub-region somewhat ‘leaderless’ and without effective mechanisms for promotion and support.

Main activities of co-operatives
The term ‘client-owned’ co-operatives is sometimes used to describe consumer co-operatives, fishery co-operatives, multi-purpose co-operatives, credit unions and others that are used by the members for buying their daily necessities and/or inputs for production, for selling their produce or products, for providing housing, and for saving their money and getting loans. The members are clients of the co-operatives and assuming a free and competitive market, they would not depend on them for their job and living (they can conduct their business with other traders/suppliers). In reality, however,
the existence or non-existence of such co-operatives would often determine whether production takes place, whether savings are made and credits obtained, whether productive investments are made, and whether consumer goods are conveniently available. Thus, while client-owned co-operatives’ direct contribution to employment may be relatively limited (only employed staff) their indirect contribution can be considerable in that several kinds of self-employment and production would not be feasible without them. It is clear that most co-operatives in the sub-region belong to the ‘client-owned’ category.

Co-operatives that are established and operated as a means of obtaining employment and earning a living may be described as ‘worker-owned’ co-operatives. They would include co-operatively owned farms and industries as well as service enterprises in which the members work. Members would depend on such co-operatives for their job and living. Worker-owned co-operatives would thus have a direct impact on employment. In the sub-region the number of such co-operatives is rather small.

**Consumer goods distribution**: The operation of trade stores is by far the most widespread activity of co-operatives in the sub-region. The stores are either operated by consumer co-operatives as their only activity, or by multipurpose co-operatives, together with other activities. The consumer co-operatives are generally community based, operate in rural areas, and are sometimes the only source of supply for the people in the area. Mostly they carry a limited range of goods (though often more than their competitors) and operate independently, each finding its own suppliers among local wholesalers who import directly from overseas. Often, perhaps because of limited competition, the consumer co-operatives are able to pay their members a considerable bonus/dividend at the end of each year. Most problems of consumer co-operatives relate to credit giving (non-payment) and leakage (perhaps due to social and cultural obligations) and to the consequent difficulty in realising a gross margin big enough to cover the expenses and provide the expected bonus. Though also relatively successful in countries where the primary co-operatives operate on their own, consumer co-operatives are best organised in Tonga, where a federation takes care of the import and wholesale function.

**Marketing and supply - agricultural cash crops**: This is the second most popular activity of co-operatives and is most often carried out by multipurpose co-operatives, which also operate trade stores. They would usually have fixed arrangements (licences or similar) with government or private marketing agencies and would act as their buying agents in respect of copra, cocoa, sugar and a few other main cash crops. The prices paid to farmer-members as well as those paid to the co-operative by the concerned agent would often be fixed, leaving a margin to the co-operative to cover transport, storage, leakage and administration costs. While many co-operatives thus act as a channel for the marketing of members’ produce, less are involved in the supply of production inputs, i.e. the distribution of fertiliser, seeds and tools. In most countries the primary co-operatives operate on their own, but also here the advantages of business linkages among co-operatives and the consequent economies of scale are demonstrated in Tonga (vanilla and squash).
Marketing and supply - agricultural and non-agricultural products: A number of co-operatives are involved in the marketing of products other than the traditional cash crops, and the supply of inputs for such production. There are not many co-operatives for each type of such other products, but their number and diversity is considerable (fish, timber, kava, honey, dairy, handicrafts, etc.). Some of these co-operatives are of a more recent date and quite successful (honey in the Solomon Islands, where co-operation and linkages among such co-operatives help to obtaining a greater market share), while others represent remnants of larger and more successful co-operatives and co-operative groupings (fish and timber in the Solomon Islands).

Credit unions and savings and loans co-operatives: Savings and loans co-operatives flourished for some years in several countries and are still very successful in Fiji. In most countries, however, they have been replaced by credit unions, for which separate laws in most cases have been introduced. National federations of credit unions are in existence in all countries and generally credit unions have continued to prosper and increase their role in the sub-region.

Worker-owned agriculture based co-operatives: The land purchase and land use co-operatives in the Solomon Island are examples of co-operatives that directly provide work to their members. They were formed with the help of initial loans from the government and with the objective of securing land for the production of copra, cocoa, cattle and oil palm. Produce are sold to state as well as private exporters and marketing agencies, and members are paid based on the days worked in the co-operative. Most loans have been paid back, but of the 33 co-operatives started of this type, only four are now operating. The reason for these closures are several and differ from co-operative to co-operative They include poor management, lack of funds, competition from logging companies, and tension between owner-members and members who only work in the co-operatives. Another reason for closures may be the desire for individual ownership which was made possible when the loans had been paid back and the land became owned by the co-operative. In Fiji the plantation and grazing co-operatives utilise community owned lands and may also be considered in the category of worker-owned co-operatives.

Worker-owned industry based co-operatives: The Mucanabitu Iron Works Co-operative in Fiji is another example of a co-operative in which the members own and control their workplace. It produces iron components for the building industry and was initially confined to family members. As the enterprise grew, other members were enrolled and it commenced operating as a worker-owned co-operative.

General: Co-operatives in the sub-region generally adhere to the co-operative principles and conduct their affairs as prescribed by the co-operative law. However, general meetings and board meetings are not always held as often as stipulated and members are not always kept well informed about the nature and operations of their co-operative. The qualifications of the board of directors would vary depending on the location and size of the society, and in some cases the ability, honesty and dedication of board members is questioned. The qualifications of the manager (or secretary) would usually be limited to primary or secondary education, complemented sometimes by one or more short courses.
No fees are paid to board members and the salaries paid to the manager and other staff are generally low. Poor management by the board as well as the employed manager is cited as a main problem, but despite this the members of active co-operatives generally agree that they benefit from their membership.

**Issues to be Addressed**

Environment for co-operative development
Generally the governments of the region are favourable to the co-operative idea, are in agreement that co-operatives should be free of excessive government controls, and are prepared to support further co-operative development as long as it does not result in excessive costs, and provided that it takes place within the framework of a market oriented economy. This positive sentiment prevails in all countries, but it is not always reflected in the legislation, is not expressed in definite policies on the relationship between government and co-operatives, is not often demonstrated by supportive measures to further develop co-operatives, and is not generally made known to the public.

Self-reliance and growth
While governments can and should help to create a favourable climate for co-operative development, the success and future of this form of organisation can only be measured by the extent to which the co-operative sector is able to become/remain self-reliant and grow without government or other outside assistance. Due to gradual withdrawal of government assistance to co-operatives in most countries of the region a natural selection process is already taking place. While some co-operatives have closed down, many of the remaining are quite strong and are likely to remain active for some time to come. There is therefore a basis to build on, but at this stage self-reliance and survival is not guaranteed - and further growth is unlikely unless corrective measures are taken. Efficient co-operative structures are not generally in existence, neither for exploiting economies of scale through vertical and horizontal business linkages, nor for providing support services in the form of advice, training and education. As long as primary co-operatives operate in isolation, even a large number is not likely to spur further development.

Member benefits
Most members of ‘client-owned’ co-operatives (consumers, supply and marketing, credit unions, etc.) have the choice of conducting their dealings with other businesses. Therefore such co-operatives can only justify their existence by providing benefits to members in several or all of the following ways: Higher prices for members produce or products, lower prices and better quality of consumer goods and production inputs, provision of better services to facilitate self-employment, better range of goods in trade stores, higher interests on savings, availability of loans at lower interests, better and friendlier service, and better response to suggestions and complaints. In respect of ‘worker-owned’ co-operatives (co-operatives that provide employment for members) the
main benefits would be the provision of jobs that otherwise would not be available and, if other jobs are available, the provision of better jobs at better wages.

From the surveys carried out in the sub-region, it appears that client-owned co-operatives are not particularly competitive in the above mentioned areas, and that benefits are therefore not provided to the extent desired. In respect of worker-owned co-operatives, only very few are in existence and therefore only a limited number of jobs are directly supported.

Management and business efficiency
The provision of greater member benefits is the one and only way to increase the business volume of co-operatives and thus to ensure the success and expansion of the co-operative sector. This would call for vertical and horizontal business linkages, efficient management, and relevant knowledge, skills and attitudes of the people elected and employed by the co-operatives. And it would also call for advocating and using the underlying principles of co-operatives to further member involvement and thus the effectiveness of co-operatives.

Well working business linkages have been developed by the co-operative movement in Tonga, but in other countries only credit unions and savings and loans co-operatives are organised (through their national leagues/federations) to take advantage of vertical and horizontal business linkages. Other primary co-operatives generally operate in isolation, their business linkages being with private or government suppliers and buyers. They only control the direct transactions with members and have no way of influencing the wholesale price they pay for consumer goods and production inputs, or the price they get for members’ agricultural produce or other products. Training and advice aimed at management efficiency and business knowledge are generally limited and not much emphasis is placed on advocating and exploiting the unique characteristics of co-operatives.

Employment creation
The victims of unemployment have usually depended on working as employees, and have therefore generally confined their view of employment possibilities to employers' ability to create new jobs. This is however changing in a number of countries and efforts are increasingly made to help unemployed men, women and youth to become self-employed and thus to escape poverty. Self-employment may be achieved either by developing one-person undertakings or by establishing enterprises in which several people can be employed. An enterprise may in turn be established on a private basis, as a limited company, or as a co-operative.

The co-operative organisation form has proved suitable for practically all kinds of business undertakings and successful workers’ co-operatives are found in many parts of the world. Because of this and because of their unique characteristics of facilitating democracy, people participation and a fair sharing of risks and benefits, co-operatives are
also advocated by the ILO (Recommendation 127) as tools for employment creation. However, in the Pacific region only sporadic efforts have been made to exploit this potential and in the countries of the sub-region only few people are gaining sustained employment through worker-owned co-operatives.
POLICY STATEMENTS

(These statements of intent are policy statements of what objectives the government wants to achieve, they do not include the strategies of how to achieve the particular objectives – that is outside scope of a policy paper. Each policy statement may have an explanatory note to clarify the objective.)

The following statements are the intentions of the Government with regard to Co-operative societies and the Co-operative movement in the country:

Political

1. To establish a supportive political context for co-operative societies to operate and flourish within.

The process of development of this policy document has evolved from the co-operative society movement, it has included a consultative process with the provincial governments and has been endorsed by both the Cabinet and the national parliament. This evolution and endorsement gives the document an important status beyond that of a political policy of the Government of the day. This bipartisan political support is nonetheless essential because co-operative societies are organisations “of the people, for the people and by the people.”

Co-operative societies may have significant political influence while at the same time they can also become political tools. Nevertheless, it is imperative that co-operative societies are not used as agents for political purposes. Having an educated membership is the best strategy to avoid political interference in the society.

2. To establish a Co-operative Advisory Board, representative of the co-operative movement to advise the Minister on matters relevant to the co-operative movement.

The Board shall be appointed by the Minister on the advice of the Registrar and Apex co-operative body. The Board shall have the authority to advise the Minister on all matters relevant to the co-operative movement and in particular on any of the Ministers responsibilities under the Act. The cost of the Board shall be met the government.

Legal

3. To enact a new Co-operative Societies Act and to institute an accompanying set of regulations.

The policy both shapes and reflects the new Co-operative Act and Co-operative regulations. The new co-operative Act sets the legal framework for the co-operative movement. The functioning of co-operative societies will be guided primarily by the
Co-operative Act but at the same time co-operative societies are also subject to the National Constitution, other national laws and bylaws.

Co-operative societies that want to operate as savings and loan societies will need to register as Credit Unions under the Credit Union Act.

The Act gives full recognition to the universal principles of co-operation. The full authority over each society rests with its members, each society is autonomous and cannot be dictated to subject to abiding by the legislation and by-laws.

A model set of by-laws is available but each society has the freedom and responsibility to draft their own by-laws. The Registrar has the responsibility to ensure that any by-laws are consistent with the Act and do not contravene the principles of co-operation.

4. To ensure that the process of starting a co-operative society should be simple, straightforward and timely.

To start a co-operative society, a group of people need to hold a preliminary meeting; agree on a memorandum of association; decide the proposed by-laws of the Co-operative; and then request registration from the Registrar. The process of Registration should occur within a maximum period from the date the application reaches the Registrar.

5. To establish a Co-operatives Dispute Tribunal to facilitate the speedy and efficient resolution of disputes within the co-operative movement.

Disputes within a co-operative society should in the first instance be addressed by local or informal processes. Failing satisfactory resolution any party to a dispute may refer the dispute to the Registrar or to the Dispute Tribunal. Disputes between co-operative societies that cannot be resolved may also be transferred to the Registrar or Tribunal. The Tribunal should decide on the dispute within a limited time frame. In any event if a party to a dispute is still not satisfied they still have the right to take the case to the courts.

6. Co-operative societies, as legal entities, will be enabled to enter into partnerships and joint ventures with other legal entities, including: other co-operative societies, sole-traders or partnerships or private or public limited companies.

It is intended that co-operative societies should be given the freedom to maximise their potential within the economy.
**Administrative**

7. *To establish a new administrative infrastructure for co-operative societies.*

While co-operative societies are independent legal bodies and as such are responsible for themselves, it is recognised that they do need a degree of support and infrastructure beyond that of other business organisations.

Registration, dissolution and control of the application of the law will require the responsibility of the Registrar. Co-operative societies will no longer deal with the government department responsible for co-operatives on matter of registration, supervision or dissolution.

Societies will be encouraged to be members of an Apex co-operative body which should fulfil the roles of supervision, promotion, support services and development.

8. *To ensure that the co-operative societies are based on sound and accepted Co-operative principles and good management practises.*

A detailed description of Co-operative principles and practises is provided in the appendix.

Co-operative societies are owned by their members and so in principle, the members must have control of its operations. Each member must have equal say in the decisions of the General meetings.

Co-operative societies will each have an honorary board of directors who are responsible for the general management of the Co-operative. Boards may appoint managers, management teams or employees.

Co-operative societies may elect a supervisory committee whose role is to ensure that the affairs of the Co-operative are conducted in accordance with the Co-operative Act and Co-operative’s by-laws.

9. *The Government and its institutions assist co-operative societies with financial and technical assistance where appropriate.*

Co-operative societies are independent businesses, nevertheless, because of their benefit to society in general they deserve to be given preferential treatment. Furthermore, because of their communal nature, they need assistance to function effectively. It would therefore be appropriate that there be financial incentives for co-operative societies.

The Government should consider the establishment of a Co-operative Bank, in conjunction with the Credit Union movement, and the expansion of financial services,
for example, the Development Bank could give assistance in terms of security, equity and interest rates for Co-operative society loans.

Rural co-operative societies are particularly dependent on the services of bank agencies and need to have ready access to such services

10. **Co-operative societies be given preferential treatment in the issuing of licences and agencies.**

Where there is competition for business licences or agencies, then, all other things being equal, co-operative societies should be given preference.

In addition, co-operative societies should be afforded reasonable protection through the prudent issuing of business licences. Business licensing should not be seen as a revenue source to the licensing authority, rather it should be used to ensure that only an appropriate number of competitors are allowed.

Multipurpose co-operative societies should not be charged multiple licences but rather a combined license fee.

11. **Co-operative societies in general should be given reasonable treatment in terms of taxation.**

Acknowledging the fact the most co-operative societies are owned by members whose incomes would fall within the lower tax brackets, it is inequitable to tax them at the company tax rate. In addition, the higher company tax rate acts as a disincentive for co-operative societies to re-invest their surpluses.

12. **To establish an autonomous office of the Registrar of Co-operative Societies, to fulfil the functions of registration and de-registration, audit and supervision of the Act.**

The Registrar will be appointed by the Minister and possibly be located within a financial Statutory Authority.

Ideally the one and the same Registrar should serve both co-operative societies and Credit Unions.

13. **To encourage the creation of a unified Apex body for Co-operative Societies and Credit Unions.**

The Apex Co-operative Body will be controlled by the members in a democratic manner.
The Apex Co-operative Body will be responsible for promotion, supervision, training and guidance of co-operative societies and credit unions.

The Apex Co-operative Body, along with approved private businesses will provide accounting and auditing services for co-operative societies.

The Apex Co-operative Body will be charged with the responsibility to give advice to individual co-operative societies, and be available to give advice when requested.

It is intended that the Apex Co-operative Body, in co-operation with the appropriate government ministries, will facilitate research into co-operative societies matters, in particular new areas for co-operative development.

14. That the Apex Co-operative Body provides financial facilities for co-operative societies.

It is envisaged that the Apex Co-operative Body will be able to provide investment and borrowing facilities for co-operative societies.

15. That the Government financially assists the Apex Co-operative Body until such time as it is able to be financially independent.

As a body owned by its members it should in the long term be financially independent from the government. However given the fragile state of the Co-operative movement currently, financial assistance for a number of years will be essential for the Apex Co-operative Body to be able to strengthen the co-operative movement.

16. That co-operative societies will be closely monitored and supervised by the Apex Co-operative Body which will have primary responsibility for supervision of co-operative societies.

The Apex Co-operative Body will have the power to call a general meeting of a co-operative where it considers it necessary. It may recommend dissolution to the Registrar where it sees fit.

It is intended that under the new legislation, the Registrar will have the power to direct an enquiry into the affairs of any Co-operative and order closure if such is warranted.

Where the Registrar has reason to believe that a Co-operative is in serious difficulty, and after reasonable opportunity for the Co-operative to show cause, the Registrar may direct a Co-operative to be liquidated and then dissolved.
17. That the Apex Co-operative Body provide guidelines to co-operative societies regarding allowances and salaries that various types of co-operative societies should pay.

Much tension exists between society members and the co-operative employees regarding fair and appropriate remuneration. By establishing a guideline this tension may be diffused.

18. That co-operative societies will be able to have their accounts audited by either the Apex Co-operative Body or other approved Auditors.

Co-operative societies will be required to have their annual accounts audited. Approved auditors by the Apex Co-operative Body, will perform audits for a fee.

19. To enhance the relationship between the technical Government Ministries, such as Agriculture, Fishing, Forestry, Energy, Mining, Environment, Conservation, Tourism, Industry, Commerce and Indigenous Business Development and the co-operative societies and ensure the services of the Ministries and Departments are available to co-operative societies if requested by the co-operative societies.

The Technical ministries continue to have a critical role to play in facilitating and assisting co-operative societies. The Apex Co-operative Body will serve as a co-ordinating centre between the co-operative societies and the government ministries and other agencies or institutions that can provide services for co-operative societies.

20. To encourage gender equity in representation and participation on co-operative boards.

Women have a significant contribution to make at the decision making level of co-operative societies. Societies will be encouraged by the Apex Co-operative Body to ensure that women are included in the co-operative boards and have equal opportunity in all aspects of co-operative life.

**Promotional**

21. To enhance the common perception of co-operative societies.

With the support and intention of the Government towards co-operative societies clearly stated in this policy, and the workings of the co-operative movement plainly described, it is hoped that the common perception of co-operative societies will be
enhanced. The policy document is intended to clarify misunderstandings about co-operative societies and give a common understanding of the important principles and processes.

It is intended that the policy be the guiding document for the revitalisation of the co-operative societies movement. As such, the policy intends to be specific about how the co-operative movement should function and clear regarding different responsibilities.

22. To encourage and promote the setting up of co-operative societies, with appropriate incentives for co-operative societies in selected sectors.

In particular, this policy applies to the productive sectors such as agriculture, fisheries, forestry, mining, small to medium scale manufacturing and processing as well as service industries such as tourism.

23. To review existing dormant co-operative societies with the view to reviving these co-operative societies.

There are many societies that are currently dormant or not functioning to their potential. Societies that cannot be revived will be de-registered, however the Apex Co-operative Body should encourage these co-operative societies to operate again or to diversify or expand into other sectors found to be viable.

24. In addition to the promotion by the Apex Co-operative Body, the Ministry responsible for co-operative affairs will facilitate the education and promotion of co-operative societies to the Public, including Churches and other NGOs so that they can inform and encourage the formation of co-operative societies among their constituents, particularly in the rural communities.

As the government ministry responsible for co-operative societies, the Government needs to be seen as a supportive agent of the co-operative movement.

Particularly the Churches have an important capacity to influence and inform their constituents of the appropriateness and potential of co-operative societies to enhance their lives.

The Ministry responsible for co-operative affairs, through the Apex Co-operative Body will provide, or cause to be provided, education and training courses for Co-operative members, committee members and management, and also the public.

It is intended that the secondary school Business Studies curriculum will include an extensive coverage of co-operative societies.
The Apex Co-operative Body will work closely with the tertiary institutions to ensure that Business graduates are competent to deal with Co-operative matters.

Training and education opportunities for Apex and co-operative officers needs to be supported by the Ministry.

25. In addition to registered co-operative societies, the Apex Co-operative Body will recognise economic interest groups that do not have the formal status of registered co-operative societies but nevertheless are “self help groups”.

People who form an association for social purposes can formalise their association under the Charitable Trust Act. People who form an association for mainly economic goals can formalise their association under the Co-operative Act. The Apex Co-operative Body recognises registered co-operative societies and economic interest groups. Only registered co-operative societies have limited liability for its members.

As economic interest groups develop, they will be encouraged and may apply for registration as a co-operative society.

26. To encourage primary co-operative societies to co-operate together to form Secondary co-operative societies.

Significant advantages from economies of scale can be gained by primary co-operative societies that co-operate together.

It might prove economic for co-operatives to work together at provincial levels to serve their regional co-operative societies.

27. Market gardeners will be encouraged to form marketing co-operative societies.

Market gardeners play a crucial role in economy, particularly in the urban areas which are dependent on them. Acknowledging their significance, Market gardeners could be assisted by co-operating together in transport, marketing and the production of goods. Currently they are competitors and thus are disadvantaged when it comes to exercising market power or planning production or transport.

28. Cash Crop farmers will be encouraged to form or join marketing co-operative societies.

Cash Crop farmers play an important role in the production of cash crops for export. By participating in marketing co-operative societies they will be able to gain the best
prices for their produce as it will strengthen the bargaining position. In addition, they will be able to access services to assist their production.

29. **Rural communities will be encouraged to form consumer co-operative societies.**

Although the emphasis of this policy is more towards productive sector co-operative societies, there is still a very important role for consumer co-operative societies. Most income earned is going to be spent on consumer items. By co-operating together in a consumer co-operative the members can get a better range of goods available at lower prices. In addition there are other benefits such as transport services that can be enhanced through co-operation.

30. **Youths will be encouraged to form co-operative societies for skills training and marketing.**

The number of young people completing their education is increasing but there are only a limited number of formal jobs available to them. The issue of their gainful employment is a major social concern. As some of these youths graduate from particularly the vocational training institutes they would be greatly assisted by being able to be a part of a co-operative that facilitates them using their skills and gaining more skills. They would be especially assisted by co-operative societies that assisted them with marketing their produce or skills.

31. **Fishing communities will be encouraged to form fishing co-operative societies.**

The fishing industry needs critical infrastructure to enable the storage, transport and marketing of the marine products. This could best be accomplished through a co-operative arrangement.

32. **Communities with forest resources will be encouraged to form sustainable saw-milling and other forest product co-operative societies rather than logging operations.**

Large-scale logging operations have not only been detrimental to the environment but have only given very limited returns to the resource owners. By co-operating together and harvesting in an environmentally careful way, resource-owning communities can protect their environment and gain maximum return for their resources, while at the same time create employment for themselves.

33. **To encourage and support the setting up of women initiated co-operatives including handicraft centres and co-operatives for other disadvantaged groups.**
Considerable potential exists for women to generate income for themselves through the production and sale of handicraft items. A co-operative society would be the most beneficial way for women to work together in marketing their products.

34. The Apex Co-operative Body will work with the Tourist Bureau in facilitating a tourism co-operative for rural based tourist operators.

Rural based tourist operators need to be part of a network that can both promote and facilitate tourism to the rural areas. A co-operative set-up would be an appropriate organisational structure for such an enterprise.

35. Land Purchase Co-operatives will be reviewed and encouraged to expand to meet their potential and to diversify into associated areas.

Land Purchase Co-operatives have considerable potential to boost agricultural production. The administrative, technical and other problems of current LPCs need to be clearly understood and addressed so that they can operate successfully.

36. The Apex Co-operative Body will explore the possibility of some of the Statutory Authorities involved in the provision of utilities to be transformed into co-operative societies.

As the Government considers privatisation for some of its statutory authorities, the option of privatising the Electricity Authority or the Water Authority into a Co-operative owned by the users of the services should be considered.

37. To encourage the establishment of health care co-operative’s and education co-operatives.

Given the strong demand for basic services like health and education it would be possible for communities to work together and provide these services for themselves by means of co-operative societies.
Co-operative Movement infrastructure

The role of the Ministry responsible for Co-operative affairs is at the policy level. The Ministry will liaise with the Co-operative Advisory Board, the Registrar and Apex Co-operative Body regarding any policy issues. The Minister will appoint the Registrar and facilitate the appointment of the Co-operative Advisory Board. In addition, the Minister will gazette the Co-operative regulations. Furthermore, the Apex Co-operative Body will look to the Ministry for facilitation and endorsement of its promotion of the co-operative movement to different institutions, including the Churches and to the public.

The Co-operative movement will operate within the bounds stipulated by the Co-operative Act and associated Regulations.

The Custodian of the Act is the Registrar of Co-operative societies. The role of the Registrar is simply to register, receive audits, direct inquiries where necessary, liquidate and de-register co-operative societies.

The Apex Co-operative Body is constituted by its by-laws, which are subject to the members of the Apex body. It is the role of the Apex Co-operative Body to promote, educate, train, advise, monitor, audit and closely supervise the individual co-operative societies. In addition the Apex Co-operative Body will facilitate the assistance from the Technical Ministries, Provincial Governments and other supportive agencies. The Apex Co-operative Body will also facilitate the provision of private sector services to the co-operative movement.

It is hoped that over time, a number of secondary co-operative associations will be formed. These should also be members of the Apex Co-operative Body and should enhance the services and assistance received by its member co-operative societies.

Primary co-operative societies are the building block of the co-operative movement. They control the secondary co-operatives and Apex Co-operative Body to ensure that they serve their best interests.
Co-operative Infrastructure Diagram

- Ministry Responsible for Co-operative Affairs
- Co-operative Legislation
- Registrar of Co-operatives
- APEX Body
- Secondary Co-operatives
- Primary Co-operative Societies & economic interest groups
- Members
- Advisory Board
- Disputes Panel
- Technical Ministries
- Provincial Governments
- Churches & NGOs
- Financial Institutions
- Private Sector services
- Members
- Members
**Constraints**

The following are possible constraints to the implementation of this Co-operative Policy:

1. Lack of national and provincial political support.
2. The passage of the new Co-operative Act by Parliament.
3. Finding a suitable institution to house the office of the Registrar of Co-operative societies.
5. Appropriately trained Human resources to equip the Apex Co-operative Body.
6. Capacity and resources for the Apex body to strengthen the co-operative movement.
7. Capacity of Technical ministries to provide technical expertise.
8. The willingness of Churches and other NGOs to promote co-operative societies.
9. Receptivity of the Public to the revitalisation of co-operative societies.
Implementation

Agencies
The following agents are identified as those needed to successfully implement this policy:

Apex organisation, Registrars office, Co-operative Advisory Board, technical ministries, provincial governments, Churches, vocation training centres & other NGO’s.

In-particular, the Co-operative policy will need to be implemented by the following agents:
1. The Minister of Co-operative Affairs will need to:
   • Submit the policy and new legislation to Cabinet and subsequently to National Parliament.
   • Appoint the Co-operative Advisory Board
   • Appoint the Registrar
   • Circulate the Policy to the Provincial Governments.

2. The Ministry responsible for Co-operative affairs, through the Co-operative Advisory Board will need to:
   • Facilitate the establishment of an Apex Co-operative Body.
   • Facilitate a nation-wide publicity campaign.

3. The Apex Co-operative Body will need to:
   • Organise how it will provide its services
   • Liaise & co-ordinate with the Technical Ministries
   • Liaise with the Financial institutions
   • Assist with the national campaign
   • Facilitate the provision of services by private sector organisations where necessary

Proposed Time Frame for Revitalisation

<table>
<thead>
<tr>
<th>Objective</th>
<th>Time frame (Weeks)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appoint the Co-operative Advisory Board</td>
<td>1</td>
</tr>
<tr>
<td>Draft a Comprehensive Co-operative Policy</td>
<td>2-6</td>
</tr>
<tr>
<td>Draft new Co-operative Act &amp; Regulations</td>
<td>7-12</td>
</tr>
<tr>
<td>Gather feedback on Draft Policy &amp; Legislation</td>
<td>13-15</td>
</tr>
<tr>
<td>Policy approved by Cabinet</td>
<td>15-19</td>
</tr>
<tr>
<td>New Act Passed by Parliament</td>
<td>20-24</td>
</tr>
<tr>
<td>New Act &amp; Policy widely disseminated</td>
<td>25-35</td>
</tr>
<tr>
<td>National Apex Organisation established</td>
<td>30-35</td>
</tr>
</tbody>
</table>
APPENDICES

1. Principles, Characteristics and Practises of Co-operatives

Co-operative Principles
A set of guiding principles was developed in 1844 by the members of the first co-operative - in Rochdale in England. These, the Rochdale principles, were scrutinised and modified by the International Co-operative Alliance (ICA) in 1966 and 1995. They are now referred to as the "Statement on the Co-operative Identity" and are internationally accepted as the one and only guide for what co-operatives are and how they should operate. The extent to which co-operatives in the sub-region operate as true co-operatives, may be judged by using the below principles as a yardstick. The short version of the ICA Statement on Co-operative Identity is quoted in the following:

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, democracy, equality, equity, and solidarity. Co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

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 responsibility 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-operatives. They 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; 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 agreement 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 Cupertino.

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 interregional structures.

7th Principle: Concern for Community: While focusing on member needs and wishes, co-operatives work for the sustainable development of their communities.

Characteristics of Co-operatives
Co-operatives, as associations of people, are different from other business organisations. It is important to understand the true nature and character of co-operative societies in order to appreciate the true objective of the co-operative movement. Co-operatives have a number of characteristics:

1. **Co-operatives are service oriented.**

   Co-operatives are organised to serve their members by providing them the goods and services they need at cost. Members contribute to the capital of the Co-operative in a different way to those that invest their money in a capitalist enterprise in which the primary objective is to get the maximum profit from their investment. Members join Co-operatives because they need the services Co-operatives offer.

   Co-operatives, however, in serving the members, do not act as charitable organisations. The members are aware that the benefits they derive from their association come from their contributions and are the result of their mutual desire to help one another. Their motto is: “CO-OPERATIVES ARE NOT FOR PROFIT AND NOT FOR CHARITY BUT FOR SERVICE.”

2. **Co-operatives are community oriented.**

   Co-operatives work for the welfare of their members but at the same time integrate themselves into the life of the community in particular and that of the nation in general. Co-operatives, therefore, enhance the people’s welfare by helping increase the productivity of their members and that of the communities in which they are located. By the very nature of their activities, Co-operatives strengthen not only the economic but also the social base of the communities in which they operate.
3. Co-operatives are people oriented.

Co-operatives are not merely economic instruments concerned with dividends and related economic and financial returns. They are above all instruments of change for total human development. This means the development of the human being in all aspects of life --- economic, social, political, cultural and spiritual.

“The goal of Co-operatives is to make people ... people with sense of both individual and joint responsibility ... so that they may rise individually to a full personal life and collectively to a full social life.”

— G. Fauquet

4. Co-operatives are owned, managed and patronised by their members.

Co-operatives are member-owned, member-controlled and member-used. Ownership is a very important factor in the success of any Co-operative. It is necessary in order that the members may have full authority to manage and control their Co-operative. If a Co-operative is started and operated solely from borrowed capital, it violates the principle of self-help and loses much of its autonomous character. Co-operatives must depend on the patronage of their own members and not from non-members although in certain cases a limited patronage by non-members may be allowed mainly for reasons of business viability and service to community.

5. Co-operatives are business enterprises.

Co-operative business is real business. Co-operatives, if they are to play a meaningful economic role in our community life, must serve and perform as efficiently as the other financial and business institutions operating in the country today. They have to be viable and efficient if they are to serve the needs of their members. Patronage of their goods and services cannot be maintained without good management and performance. Co-operatives should be able to generate net savings to be allocated to their members at the end of each year. However, they should not operate solely for profit nor for charity.


Robert Owen supplied the philosophy of self-help that prompted the Rochdale Pioneers to organise. He said, ‘If you want something done, do it yourself’. This philosophy has been responsible for the success of many Co-operatives all over the world --- and it is the best alternative for the poor in any country to unite and help themselves out of their depressed condition. This is not to say that they should not be assisted. But assistance from outside, whether technical or financial, must not stifle but stimulate initiative, self-help and self-reliance. On this matter, the principle of subsidiarity also applies --- that before asking or soliciting aid from the outside, self-determination and self-capability should be considered.
The role of government and non-government organisations in the development of Co-operatives should be one of assistance and not of dominance. They should not in any manner interfere in the purely internal affairs of the Co-operatives, taking care that they preserve their autonomous and independent and self-help through mutual-help character. On the part of the Co-operatives being assisted, they should do their part by seeing to it that the objective of the assistance given is achieved --- that they grow stronger rather than become dependent upon such assistance.

7. **Co-operatives serve best when they answer the real and felt needs of the members.**

How do we expect the members to participate in the activities and to patronise the business of their Co-operative whose services they do not really need or feel they need? Of what benefit are Co-operatives that do not serve the real needs of their members? Therefore, it is important that proper approaches and techniques are employed in order to ensure that the real needs of the members are identified and recognised before any Co-operative is organised. When the need is real but not felt, the assisting agency or agencies should make the real need be felt by the members. The assistance should begin from the organisation stage and sustained through the developmental stage up to the point when the Co-operative begins to operate on a self-sustaining basis.

8. **Co-operatives develop best from bottom to top.**

Being mass-based organisations, Co-operatives develop best from the bottom to the top. Organisationally, their development should be from the primary level to the secondary and then to the tertiary and up to the apex. Geographically, they should develop from the village to the provincial, city, regional and to the national levels. The primary Co-operatives are the foundation stones of the whole Co-operative structure.

**Co-operative Practises**

Co-operatives follow certain operational guidelines. These are practical responses to local needs. Some are adopted from standard international practices; others are local innovations, but all are aimed at perfecting Co-operative operations.

1. **Capital formation.** The capital structure strongly influences the success or failure of Co-operatives. Experience teaches us that the members should really contribute the capital themselves. This is because they are self-help community projects. When members’ money forms the capital of the association there is better co-operation to ensure success. Grants or handouts often result in competition for personal advantage.
Capital build-up coming from other sources does not help much. Borrowing is tolerated but the organisation will answer for it. Borrowing has its advantages but it also spreads to outsiders the members’ benefits from the business operation. It also adds financial burden to management.

Other sources like private donations and government assistance are welcomed. But, care has to be taken to guard against dependency.

2. **Cash trading.** This is business done on cash and carry basis. The customer enjoys at least the use of the goods and services for the cash payment he/she gives. Cash and carry does not exclude regular salary deduction for regularly employed members.

Cash trading promotes equality since anybody with cash can enjoy the services and patronage. This practice can train members to observe the habit of balanced spending. Furthermore, the Co-operative would be able to avoid bad debts, at the same time stabilise operations. Finally, it is a way of increasing growth.

3. **Selling at market price.** Co-operatives offer goods and services at prevailing market prices. This promotes stability. It can cope with operational expenses and cover up the negative effects of shrinkage, depreciation and losses. It helps maintain the prices of goods.

Co-operatives can avoid destructive competition. This could invite retaliation from competitors that may create an unstable market situation. This also has an accompanying difficulty; that of estimating operating cost with accuracy.

4. **Constant expansion.** Co-operatives are associations for development and business and community services. As organisations, they have to grow for community services.

Expansion is done intensively and extensively. New members should be recruited. More capital is to be provided. Members undertake continuous education, officers training, management practices, financial supervision and worthwhile activities.

5. **Quality standardised goods.** Co-operatives are intended to develop communities through the production of high-quality goods and provision of better services. Co-operatives could be of help by patronising only standardised products and services of high quality. This indirectly forces goods and services to be improved.

Different types of Co-operatives should strive for improved goods and services so that they can stand competition with business establishments. They would be instrumental in improving life in the country.

6. **Co-operative wholesale or inter-lending (Co-operative bank).** In order to be effective, wholesale business, inter-lending (Co-operative bank) should be done by primary societies.
The benefits derived from wholesaling are considerable. Members can market and acquire the right goods and services at the right price and quality. They can lower costs and raise savings. They can also influence the production of goods and services that are badly needed.

7. **Minimise expenditures.** A significant factor favouring the growth of Cooperatives is their being a community project. Officers do not receive remuneration. If ever they get compensation, it is only in the form of allowances, per diems or honoraria. Only employees get paid regularly.
2. **ILO Recommendation 127**

ILO's "Recommendation Concerning the Role of Co-operatives in the Economic and Social Development of Developing Countries" (No. 127) was adopted in 1966 and reflects the official opinion of the ILO with its tripartite membership from more than 170 countries. It is therefore considered relevant to use this recommendation as a basis for evaluating the progress and standing of co-operatives in the sub-region - and the potential for improvements and further development. Key issues are brought up in the following, but the full text of the ILO Recommendation may be provided on request to the ILO Office in Suva.

Co-operative policy: Recommendation No 127 is directed at co-operatives being regarded as one of the important instruments for economic, social and cultural development as well as human advancement. Consequently it urges governments to adopt a policy on co-operatives, specifies objectives and important components of such policy and suggests that the co-operative movement should be associated with its formulation. It also advocates that co-operative policies are reflected in national development plans.

Co-operative legislation: Recommendation 127 advocates that specific laws and regulations concerning the establishment and functioning of co-operatives are adopted and used as a method of implementing the co-operative policy.

Co-operative education and training: Recommendation 127 advocates that knowledge of the principles, methods, possibilities and limitations of co-operatives is disseminated widely among the public, that office bearers and staff of co-operatives are trained and that, if necessary, specialised co-operative colleges are established.

Financial and administrative aid: Recommendation 127 advocates that financial and, in certain cases, administrative aid is given to co-operatives, that such aid does not entail obligations contrary to their independence and that it is designed to encourage rather than replace the initiative and efforts of members.

Supervision, advice and guidance: Recommendation 127 advocates that co-operatives should be subject to audit and supervision in order to ensure good management and compliance with the co-operative law and their own objectives. A federation of co-operatives is recommended to perform these functions as well as to promote co-operatives through the provision of training, education, guidance and advice.

Co-operatives and particular problems: Recommendation 127 advocates that co-operatives in certain circumstances may play a special role in dealing with particular problems of developing countries. The alleviation of poverty and the creation of employment may be examples of such role.
3. Co-operative Reform Committee members

(The policy document may want to include the names of the people involved in the co-operative reform).