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National experience in promoting the co-operative movement

Report of the Secretary-General

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## I. INTRODUCTION

1. In its resolution 1987/47 of 28 May 1987, the Economic and Social Council requested the Secretary-General to prepare a comprehensive report on national experience in promoting the co-operative movement in developing countries. In accordance with the Council's request, special attention is given to the participation of peasants, including landless peasants, and nomadic populations in co-operatives; the role of co-operatives and similar organizations in promoting development in urban areas; the participation of all people, including women, youth, disabled persons and the aging; the role and extent of government support; and programmes to help co-operatives adopt new technologies to increase production and marketing in the agricultural, commercial and industrial spheres. The Secretary-General was requested to submit the report through the Commission for Social Development and the Economic and Social Council, to the General Assembly at its forty-fourth session, for consideration under the item entitled "National experience in achieving far-reaching social and economic changes for the purpose of social progress".

2. The present report is based, in part, on information received in response to a note verbale sent to Member States. At the time of the finalization of the report, replies had been received from 28 Member States: Bahrain, Botswana, Burundi, Byelorussian Soviet Socialist Republic, China, Cuba, Cyprus, El Salvador, Iraq, Italy, Malawi, Malta, Mexico, Mongolia, Morocco, Nicaragua, Nigeria, Pakistan, Panama, Philippines, Poland, Qatar, Rwanda, Spain, Thailand, Union of Soviet Socialist Republics, Uruguay and Yugoslavia. Contributions were received from three specialized agencies: International Labour Organisation (ILO), Food and Agriculture Organization of the United Nations (FAO) and United Nations Industrial Development Organization (UNIDO); and from three international non-governmental organizations: International Co-operative Alliance, International Federation of Agricultural Producers and World Council of Credit Unions. In addition, the report draws on recent publications dealing with co-operatives, and on the results of a seminar organized by the United Nations at Moscow in May 1987 on the role of Government in promoting the co-operative movement in developing countries, which was attended by representatives of co-operative movements and Governments from 24 developing countries. Consistent with the previous report of the Secretary-General (A/42/56-E/1987/7), the present report offers an analysis of selected activities of co-operatives and their impact on the economic and social environment.

3. Recommendation No. 127 of ILO defines the co-operative as an association of persons who voluntarily join together to achieve common ends through the formation of an autonomous and democratically run organization. Co-operatives function best when they operate in the interests of their members. In addition, co-operatives, as the Secretary-General stated in his address to the Congress of the International Co-operative Alliance (ICA), held at Stockholm from 7 to 10 July 1988, "have proved to be an invaluable institution for promoting social and economic development and achieving a more equitable distribution of income ...". There is convincing evidence that co-operatives and similar organizations have done much to generate employment and strengthen the productive and financial capacity of countries and their ability to provide social services. Co-operatives continue to play a

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significant role in many developing and developed countries in the agricultural sector, notably in the production, marketing and consumption of food.

4. The International Symposium on Food Aid and Co-operatives, which was held at Vienna from 14 to 16 September 1988, highlighted the mutually fortifying roles of food aid and co-operatives in addressing the fundamental problems of poor people in developing countries. The Symposium, which was jointly organized by the Committee for the Promotion of Aid to Co-operatives (COPAC) and the World Food Programme (WFP), and co-sponsored by the Government of Norway, adopted "Guidelines for development projects combining food aid and co-operatives".

5. Although highly useful as an instrument to promote development, co-operatives are not to be seen as an effective means to serve the "poorest of the poor". This is an unrealistic expectation as they are ill-equipped to deal with this population, which is usually bereft of financial resources and often functions at the margin of society. While there have been examples of successful co-operatives involving the most disadvantaged elements of developing countries' populations, it could be said that they remain the exception rather than the rule. In most instances, the greatest need of most of these people are basic social services and a minimum income. Co-operatives could provide these basic needs but not without special assistance from Governments. The co-operative is best suited to population groups which have advanced beyond the barest subsistence level and are able to invest at least some capital or time in activities of the organization.

6. This does not mean that co-operatives are not a development tool for the poor, or a useful instrument of change. They have demonstrated their ability to enable the poor to band together into successful self-help ventures. Not uncommonly, the pre-co-operative organization is better suited to the needs of this population group than the formal and structured co-operative society. In Rwanda, there are 3,000 co-operative-like organizations, which do not fall under the co-operative law, as against 270 formally recognized co-operative societies. In addition, co-operatives have been established to meet the special needs of a variety of groups, five, including the disabled, youth, the aged as well as women. This shows that co-operatives are able to help the so-called informal sector of the economy to be assimilated into the economic mainstream.

7. The co-operative movement has made important strides in developing countries. There are more co-operatives and co-operative members in developing States than in developed countries, and they account for more than 60 per cent of the total membership of the International Co-operative Alliance. The majority of all co-operatives in developing countries are active in the key agriculture sector (53 per cent); the next largest group (29 per cent) is to be found among credit and savings co-operatives in both urban and rural areas. Consumer co-operatives have, to date, made relatively limited progress in developing countries (8 per cent).

8. There are major examples of success in co-operatives. Dairy and sugar co-operatives in India have captured a dominant share of the market and brought undeniable benefits to millions of small farmers. The growth of the Korean economy in recent years owes much to co-operatives in the agriculture, livestock, fisheries and credit union sectors. Coffee marketing co-operatives in Kenya continue to

provide significant returns to their members, and credit unions throughout Latin America and the Caribbean are effectively mobilizing local savings and providing credit for productive purposes.

9. It is equally apparent that co-operatives have become an integral part of the development process in most developing countries. In many cases, they are specifically identified in national constitutions as a key instrument of economic and social development. In numerous instances they benefit from special tax and other privileges because of their contribution to development. They have been used as an instrument to distribute rural credit, market agriculture produce, provide services to disadvantaged groups, distribute land and provide essential commodities.

10. Co-operatives have also won major support from the international development community. The ILO, the oldest member of the United Nations family to have a co-operative section, has more than 100 experts on assignment around the world to promote co-operative development. FAO has a Co-operatives and Other Rural Organizations Section, which takes its inspiration from the 1979 World Conference on Agrarian Reform and Rural Development. This landmark conference concluded that rural development strategies can realize their full potential only through the motivation and active involvement at the grass-roots level of rural people, and by the creation of co-operatives and other voluntary forms of organization. The World Bank, which has no formal programme of support to co-operatives, provides more than half of its agricultural lending to projects in which co-operatives are involved as a delivery mechanism. National government agencies also commit substantial proportions of their funding through their multilateral, bilateral and non-governmental organization programmes; a recent study by the Canadian International Development Agency concluded, probably not untypically, that 5 per cent of its total official development assistance budget supports co-operative development. A variety of non-governmental organizations operating at the grass-roots level have for many years been promoting co-operatives as an ideal means of organizing poor rural and urban populations.

## II. PARTICIPATION OF PEASANTS, INCLUDING LANDLESS PEASANTS AND NOMADIC POPULATIONS, IN CO-OPERATIVES

11. The majority of co-operatives in developing countries are located in rural areas and, to a certain extent, their members are made up of peasants, including those who have no land. Hence, agricultural co-operatives continue to be the most widespread form of organization of rural people. Co-operatives in a great many of these countries play a significant role, in the production, marketing and consumption of food. An important share of the credit flowing to the rural areas is routed through co-operative organizations. In certain countries, there is a special co-operative structure for the landless and, in Egypt and a number of Sahelian countries, co-operatives provide an organizational framework through which nomadic people are engaged in anti-desertification and land-settlement schemes. Membership in agricultural co-operatives in a number of countries in Western Asia, notably Iraq, is obligatory for beneficiaries of agrarian reform programmes. Cyprus, Iraq and the Syrian Arab Republic report significant progress in the co-operative movement in the early 1980s, with most farmers in the latter countries

being members of co-operative societies. By and large, co-operatives in the rural areas have made considerable progress in Asian countries. In Africa, co-operatives are less significant as economic organizations in the rural areas; except in Ethiopia, Mozambique and Kenya, whose Governments favour co-operatives. Although an increasing proportion of the producers' and service co-operatives in Ethiopia received loans from the Agricultural and Industrial Development Bank in 1985-1986, these constituted only 1 per cent and 10 per cent, respectively, of all co-operatives in the country and accounted for only 9 per cent of total loans given out by the Bank, as against 74 per cent received by State farms. In Mozambique, the co-operative sector has not become strong enough yet, since the people's co-operative banks are less important than the commercial banks which still cater mainly to the large farmers. In Kenya, co-operatives form one of the three types of credit institutions and play a more significant role in agriculture as compared to similar types of organizations in other African countries.

12. In many countries of Latin America, progress in rural co-operatives is not very encouraging in so far as poor peasants and the landless are concerned. In Peru, hopes of grouping the poor members of the service co-operatives into production co-operatives failed after a few trial years, while the volume of agricultural credit that passed through co-operatives between 1980-1985 declined as a result of the recession. Co-operatives, however, are substantially involved in using resources provided from one Social Emergency Fund. In Ecuador, agricultural co-operatives set up in the Sierra region, following the agrarian reforms in the mid-1960s and mid-1970s, have had a poor survival rate.

13. These country experiences point up the continuing inadequacies of co-operatives in serving the rural areas, and especially meeting the needs of small peasants, the landless and nomadic populations. Compensatory measures by government could help alleviate these problems. A number of countries, such as India, have adopted legislation to ensure that a specified share of co-operative loans be made available to small landholders and peasants and that they be represented on co-operative management boards.

14. Often these population groups, particularly women, do not possess or have access to land and are ineligible for membership in co-operatives because they lack the necessary collateral to qualify for credit. This problem is widespread, although its impact on women varies from country to country. As long as the problem of women's right to land ownership remains unresolved, it will have an inhibiting effect on their participation in co-operatives and other participatory types of organizations. 1/

15. As population pressure on land increases, so do the numbers of landless peasants. This trend is particularly in evidence in South Asia and parts of Latin America and is beginning to be felt in sub-Saharan Africa, where rates of population growth are among the highest in the world. Encouraging people to form craft, housing, consumer and small-scale industrial co-operatives, along with other participatory organizations, could reduce dependence on the land and, in the process, help diversify the economy. In a number of countries, government is encouraging small but inefficient landholders to give up their plots . land and

form workers co-operatives. The ILO, in a report entitled Rural Employment Promotion, 2/ noted the importance of non-farm employment as a means of alleviating poverty in rural areas. Rural industry and public works and integrated rural development schemes could provide important employment and income-generating opportunities for a great many new entrants into the world's labour force who will not be able to make their livelihood directly from the land. Under these circumstances, non-farm employment as the report points out, is becoming increasingly important. In the report, income data for the poorer rural households, in which the landless and nomadic are most typically the poorest, show that non-farm incomes often constitute a major portion of household incomes. People's participatory organisations, including co-operatives, are among the groups responsible for a substantial part of these income flows. Co-operatives and similar organisations, thus, play a useful role in alleviating rural poverty by providing alternative sources of work and income.

16. The participation of nomads in co-operatives is not, in most developing countries, an issue that concerns co-operative movements or governmental departments that deal with co-operatives. Few countries have important numbers of nomads, and those that do have apparently done little to encourage them to form or join co-operatives. The peripatetic life style of nomads and strong sense of individualism undoubtedly make co-operative forms of organization unattractive. Where Governments are anxious for nomads to pursue a sedentary life, the co-operative could prove an appropriate economic structure to promote cattle, sheep and other forms of animal husbandry. Recently, the United States Agency for International Development (USAID) provided a grant to the National Cooperative Business Association (United States of America) to work with nomads in Niger.

### III. ROLE OF CO-OPERATIVES AND SIMILAR ORGANIZATIONS IN PROMOTING DEVELOPMENT IN URBAN AREAS

17. Urban co-operatives and similar organizations account for an important part of the overall co-operative movement in terms of membership, volume of business and the number of people they serve. Foremost among these are credit and savings (the most common), consumer, housing, insurance, transport and food-processing co-operatives. There is, in addition, a not insubstantial number of small-scale industrial co-operatives. In most sub-Saharan African countries, industrial co-operatives, while limited in number and scope, for the most part, are concentrated in food-processing and handicrafts. In China, collective enterprises, under the leadership of the handicraft co-operatives, form an important component of the country's light industry. The development of handicrafts also constitutes an integral part of the country's urban development.

18. In developed market economies, notably in Western Europe, the pace of industrial co-operative growth has slowed considerably following a period of rapid growth. The emphasis now is to consolidate the gains of recent years and help industrial co-operatives to meet the conditions of an increasingly competitive market place.

19. Consumer co-operatives have demonstrated their usefulness in helping assure a regular supply of needed goods at reasonable prices. These co-operatives have, in recent years, made considerable headway in a number of countries in Western Asia, including Bahrain and Iraq. In Bahrain, an agreement was concluded in 1987 establishing a consumer co-operative federation. In Iraq, a consumer's co-operative federation made up of co-operative societies has been active in spreading co-operative awareness and protecting the interests of consumers.

20. Consumer co-operatives serve a useful societal function by often providing a standard against which prices and services in the private and public sector can be measured. Where lower prices are the result of economies of scale or efficient management, the public stands to benefit. Where they are the result of cheap credit, tax remission schemes or other subsidies, their beneficial efforts may be questioned, as part of the real cost is borne by the society at large. When subsidized consumer co-operatives lose these special benefits, they become vulnerable to market forces and may be forced out of business. Indeed, such a fate may well befall many such co-operatives given pressure in numerous countries to cut back subsidies for co-operatives.

21. In some developing countries, there are signs of an awakening interest in industrial or producer co-operatives as a way of dealing with persistent problems of unemployment and inadequate housing. Rapid urban population growth, which, not uncommonly, runs at twice the national average, has made it essential to devise appropriate social organizations to cope with these and related problems. This is even more important now as Governments in many developing countries are allocating more resources to rural areas and encouraging increased food production through pricing policies that favour the farmers to the detriment of urban consumers. Urban-based producer co-operatives have considerable potential for generating employment. In Uruguay, producer co-operatives produce goods and services either for the market or for the benefit of their members. Apart from the size of their workforce, their importance derives in many cases from the fact that they create jobs with a relatively smaller investment of capital than other enterprises.

22. Workers' co-operatives have played a role in maintaining sources of employment which used to be abandoned. Mindful of this, workers in a number of developed market economies, notably France, the United Kingdom of Great Britain and Northern Ireland and, to a growing extent, in the Union of Soviet Socialist Republics, are showing a greater willingness to use the co-operative model to start up small-scale enterprises, or salvage those threatened by bankruptcy. At the same time, the acknowledged poor performance of many industrial co-operatives stems from poor management and inadequate financial resources, or inappropriate project financing. 3/

23. It is generally accepted that urban-based co-operatives, particularly the industrial types, will not make much headway without assistance from government or private sources. Funding from the latter may, in many countries, turn out to be the better prospect in view of the financial constraints faced by Governments. Industrial co-operatives should study closely the new ways of raising capital devised by some agricultural co-operatives. These have included the sale of share capital to institutions and Governments and the sale of bonds to members.

Institutional funds have usually come from co-operative banks. Where such arrangements are not feasible, there may be no alternative to direct government assistance. Another approach would be to mobilize capital accumulated from annual reserves. In a number of countries, co-operatives are mandated to set aside part of their annual surplus in a reserve account.

#### IV. PARTICIPATION OF ALL PEOPLE, INCLUDING WOMEN, YOUTH, DISABLED PERSONS AND THE AGING, IN CO-OPERATIVES

##### A. Women

24. Three years have passed since the World Conference to Review and Appraise the Achievements of the United Nations Decade for Women: Equality, Development and Peace adopted the Forward-looking Strategies for the Advancement of Women. 4/ This document, formulated as a blueprint for action to the year 2000, identified co-operatives as one form of organization for increasing women's participation in development. Co-operatives are seen as suitable economic vehicles through which women can increase their income and productivity by giving them greater access to credit, inputs of various kinds, technology, land and marketing outlets.

25. Before these benefits can become accessible to women through co-operatives, co-operatives must become fully accessible to women at all levels. While modest progress has been made in this direction, much remains to be done.

26. General information on the numbers of women active in co-operatives is hard to come by since most of these organizations do not maintain sex-disaggregated statistics. A further complication often arises when trying to distinguish between a "group" and a co-operative, particularly when the group in question may be a pre-co-operative. An international inquiry on the subject of women's participation in co-operatives that was carried out by the International Labour Organisation (ILO) 5/ in 1985, reveals that in Benin, there were 144 "groups" in 1981 whose members were mainly women. By contrast, women's participation in regular co-operatives is, as a rule, quite low. On average, the participation of women in co-operatives was less than 1 per cent in Burundi, while in Rwanda and Côte d'Ivoire it was 2.3 per cent and 5 per cent, respectively. Higher levels of participation were observed in Botswana, Cape Verde, Malawi, Mauritius, Uganda, Swaziland and the United Republic of Tanzania.

27. The ILO study stresses that the majority of members in most agricultural co-operatives are men because ownership or control of land is a condition for membership. Women cannot acquire title to land in many African countries, and hence are barred from membership, even where they enjoy traditional cultivation rights at their marital homes. With only limited access to credit, farm inputs and marketing facilities, the incomes of women are necessarily affected by these restrictions.

28. Women's participation in co-operatives is widely acknowledged to be greatest in the savings and credit unions and credit sectors. The World Council of Credit Unions (WOCCU) estimates that, on average, about half the members of these



organizations are women. Data gathered from 80 credit union co-operatives in the Philippines reveals that of 417 members, 138, or 33 per cent were women. Women, however, held proportionally greater number of positions in managerial positions. Women in these co-operatives were found to be more efficient and dependable, hence more of them were involved in the management staff, ranging from managers, treasurers, accountants to loan assistants. In Lesotho, 70 per cent of the credit union members are women (although the absence of men through contract work outside the country contributes to this), and they predominate at the management level. Elsewhere, despite large numbers of women in credit and savings co-operatives, men still tend to hold most managerial positions.

29. A similar situation prevails in the consumer co-operative movement, which has a high percentage of women members, but a much lower corresponding figure in management. This is true of Western European consumer co-operatives. By contrast, Eastern European consumer co-operatives have been more successful in seeing that high membership participation is reflected in correspondingly high representation of women at the managerial level. In Asia, there is also strong women's involvement in consumer co-operatives. The Japanese Consumer Cooperative Union (JCCU), has about 650 consumer co-operatives with 9.3 million members, nearly all women, who are organized in small HAN, or buying groups.

30. It is not difficult to see why the savings and credit and consumer co-operatives hold a special attraction for women. Women are usually more thrifty in household management than men and assign great importance to saving. And since women in many countries do not qualify even for small amounts of credit from regular banking institutions, a savings and credit co-operative becomes a particularly attractive option. Consumer co-operatives also appeal to women because they relate directly to their household responsibilities and offer consumer-related benefits.

31. A number of factors that have to do with family obligations and discriminatory laws limit women's participation in virtually all forms of co-operatives. The "double burden" of work and household and child-caring responsibilities leave a great many women with little time or energy. In part, these burdens could be lightened by appropriate technology and labour-saving devices, as well as by child-care facilities.

32. Where law does not prevent involvement by women in co-operatives, tradition and custom often will. It is easier to change a law than it is to change long-standing cultural practices and/or religious beliefs that circumscribe a women's place in society. For this reason, separate women's co-operatives are often seen as the only way to give women the opportunity to participate actively, at least, in the immediate future. The prevalent view, however, is that women should be involved in the mainstream of development, including joining mixed co-operatives rather than being isolated in women-only activities. This is more beneficial to women, to co-operatives and to society as a whole.

33. A phenomenon with important implications for women's involvement in co-operatives is the continuous growth of informal, pre-co-operative women's groups. Organized loosely on co-operative principles and often formed along lines

of traditional self-help groups, these pre-co-operatives may have as few as six members. A World Bank-funded study observed that there are 15 women's co-operatives in Honduras with a total of about 925 members. By contrast, 1,662 informal women's groups were identified with an approximate membership of 40,644 women. A similar situation was found in Costa Rica, which has 20 formal women's co-operatives as against nearly 500 women's groups.

34. There is growing recognition that these informal, self-help groups represent the major form of women's co-operative participation in many countries and are often in need of financial and technical assistance. Particular efforts are being made in a number of Sahelian African countries to assist informal, traditional village self-help groups, both mixed and all women, to carry out productive activities. Some of them make the transition to formal co-operative status and, as a result, are able to gain better access to credit, training and marketing outlets; others are too small and too weak to become viable. In many countries, co-operative legislation requiring a minimum number of capital-share-paying members effectively bars them from achieving formal co-operative status.

#### B. Youth

35. Unemployment poses a serious problem for youth. It is particularly forbidding in most developing countries where a substantial proportion of the population is made up of young people; and it remains serious in many developed countries, particularly those with market economies, where, despite strong economic growth, many young people are unable to find gainful employment. Among those most seriously affected are youth with low educational achievement. Youth unemployment, it is widely agreed, has generated in its wake serious problems that weaken the very fabric of society. Alienation, criminal behaviour and indifference to, or defiance of, societal norms and public authority are among its consequences. Migration to cities by unemployed rural youth, a normal adaptive response, generally holds out little promise for individual betterment, as industry and commerce generate too few jobs to satisfy the demands of the legions of jobless youth.

36. There is reason to believe that, in promoting strategies for alleviating youth unemployment, public authorities and the co-operative sector have paid insufficient attention to attracting young people to work in co-operative societies. A strategy to encourage young people to join pre-co-operative or young farmers or artisans' groups could prove most useful in drawing unemployed youth into productive work. 6/ Through modest financial, technical and training supports, Governments could stimulate the formation of such groups which would be encouraged to undertake labour-intensive activities linked to agricultural, handicrafts and small-scale enterprises.

37. In Burkina Faso, the Young Farmers Groups are a new and promising development. They comprise young people between the ages of 15 and 25 who are grouped together in a peasant association which practises agricultural activities within the framework of village development. The three-year training programme,

which is carried out in 600 Young Farmers Centres with an intake of 15,000 young people, lays heavy stress on developing the spirit of co-operation.

38. Another promising area is in schools. School co-operatives, for example, operate in several African countries, including Benin, Côte d'Ivoire, Morocco, Senegal, Cameroon, Mauritius and the Seychelles. Delegations reporting to the Second African Ministerial Co-operative Conference, held at Lusaka in 1987, said that co-operative subjects were being introduced in schools and colleges.

39. Until now, relatively little has been done in this area in most developed and developing countries. As a result, young people do not learn about co-operatives at the time when they are most open to new ideas. Not surprisingly, they do not view co-operation as a way to promote their individual and collective well-being, hence the need for greater emphasis on teaching co-operative subjects. Mention should be made here of a United Nations Youth Fund grant to the Committee for the Promotion of Aid to Co-operatives (COPAC) in 1987 to carry out a survey that would lead to the preparation and publication of several manuals on youth and co-operatives.

#### C. Disabled persons

40. The purpose of the World Programme of Action concerning Disabled Persons, adopted by the General Assembly on 3 December 1982, in its resolution 37/52, is to promote effective measures for prevention of disability, rehabilitation and the realization of the goals of "full participation" of disabled persons in social life and development, and of "equality" (see A/37/351/Add.1 and Corr.1, annex, sect. VIII, recommendation 1). It is within this participatory concept that one should consider the role of co-operatives. The Programme of Action mentions co-operatives as one measure to support the integration of disabled persons into open employment. It should be recalled, in this context, that disabled persons themselves have commonly established or come together in various forms of organizations to advance their own interests.

41. With the growing deregulation of markets in developing countries in credit and housing and with the increased costs of social services, co-operatives can play a useful role in helping disabled persons deal with certain of the problems arising from this freer economy. As government sources of credit dry up, co-operatives can be one way to help disabled persons, who constitute approximately 10 per cent of the world's population, to become more independent. Through the collective strength of co-operatives, disabled persons should have a better chance of becoming integrated into society than through their individual efforts alone.

42. Co-operatives of disabled persons, though not numerous, are to be found in Africa, Asia and Latin America. In Iraq, the General Union of Co-operatives has, in co-operation with other competent authorities, established production co-operatives for the disabled with the object of employing them and helping them solve their economic, social and psychological problems. Employment opportunities are given to disabled persons by regular production co-operatives according to type and degree of disability. Such assistance is possible because of the substantial

support provided by the Government to the co-operative movement. In Morocco, the association of disabled persons, a national organization, contains 91 groups that are identified as co-operatives, with a membership of 25,767 persons; their principal activities are in handicrafts.

43. Co-operatives of disabled persons are limited in number in the great majority of developing countries and involve only a fraction of disabled persons. This could be changed if national co-operative movements having important numbers of co-operatives of disabled - as is the case in Czechoslovakia and Poland - made their experience available to other countries as part of a movement-to-movement activity. In 1985, the manual Co-operatives of Disabled Persons: A Guide for Promotion and Organization, 7/ was published. That booklet could be a useful tool to facilitate better lives and fuller participation for persons with disability.

#### D. The aging

44. Little attention has been paid to co-operatives in regard to concerns for the aging. This matter should take on added importance as the median age of members of co-operative societies in developed countries (and of the population at large) is rising. Developing countries also have growing numbers of elderly persons as a result of increased longevity. This population group is gradually increasing its share of the social service budget of the State and of private social welfare agencies.

45. Co-operatives can, and in many cases do, perform useful services for their older members. In Burundi, elderly persons are particularly active in supply and marketing co-operatives as these provide them, as well as other members, with basic necessities that they could otherwise secure only by travelling considerable distances. In Western Europe, upon reaching retirement age, members generally withdraw from agricultural co-operatives, at which time they receive the share capital they have accumulated. The Committee for the Promotion of Aid to Co-operatives (COPAC) has, under a grant from the United Nations Trust Fund for Aging, completed a draft of a manual on co-operatives for the aging. The manual will be issued in 1989 as a joint publication of COPAC and the Centre for Social Development and Humanitarian Affairs of the United Nations Office at Vienna.

#### V. ROLE AND EXTENT OF GOVERNMENT SUPPORT IN PROMOTING CO-OPERATIVES

46. The role and extent of government support for co-operatives has been changing in a number of centrally planned and market economy countries, reflecting in large measure, the State's changing role in promoting economic and social development. Co-operatives, along with public and private sector enterprises, have had to adapt to these altered conditions, which often involve reduced governmental assistance in exchange for greater independence. No less significant, evolving government policies towards co-operatives often reveal a reassessment of the role that these organizations can perform in promoting economic and social development. A more

autonomous co-operative movement, freed of bureaucratic constraints, can contribute to enhanced production of a wide range of goods and services.

47. In the Soviet Union, and the Byelorussian Soviet Socialist Republic, co-operatives, under the impact of perestroika, have been given greater responsibility in managing their operations. In China, reforms instituted since 1982 have been aimed at bolstering agricultural producers' co-operatives as part of the country's collective economy and to protecting their legitimate rights. In the period 1958-1978, the rights of co-operatives were infringed upon and many were merged with State enterprises. Changes are discernible in a growing number of developing countries. Here, the impetus for changed policies by the State often has its origins in structural adjustment programmes obliging Governments to scale down financial support for institutional development, including the co-operative sector.

48. Cutbacks in State aid to co-operatives could, over the long term, lead to fewer controls and increased freedom of action; in the short term, the economic outlook is likely to be less sanguine. With reduced government subventions and support services in training, extension and other areas, co-operatives will undoubtedly have a harder time to operate at profitable levels in increasingly competitive markets. Compensatory arrangements may have to be sought, linking co-operatives in developing countries to movement-to-movement activities and tying them closely, where circumstances allow, to co-operative colleges or institutes having improved access to new marketing and production techniques. These arrangements could prove helpful in channelling more resources to co-operatives, especially in the form of new technologies in the production and marketing of goods.

49. The most visible and tangible changes in government's role may be observed in the Soviet Union where 80 million people are involved in various forms of co-operation in which consumer and agricultural co-operatives predominate. An urgent need to satisfy public demand for more and better quality goods and services has prompted a sweeping reform of the law governing co-operatives. The new law, adopted in May 1988, et following nation-wide discussion, allows co-operatives, inter alia, free choice as to the forms of economic activities they wish to pursue as well as wider scope for self-management and initiative.

50. In response, numerous co-operatives have been established in the services, restaurant, small-scale production and agricultural sectors. The first co-operative bank has been established and, it is expected, others will follow in a sector long reserved for the State. The creation and strengthening of what can be considered a new economic sector holds promise of helping solve problems of smaller and medium-size State enterprises operating in deficit which, as a result of new government policy, may now be forced into bankruptcy. These enterprises could be converted into co-operatives.

51. It is not clear how many co-operatives could operate profitably under the new system. There remains an undercurrent of opposition to co-operatives because they generally charge higher prices for goods and services than State enterprises and are often seen as competing with the latter for labour and materials. Enthusiasm has also been dampened because of public opposition to private and other forms of

enterprises that operate on the profit motive, which runs counter to deeply ingrained socialist values. Despite these currents, the number of co-operatives in the Soviet Union is growing at a rapid pace.

52. Similar changes have been instituted in certain other developed socialist countries where government has a more limited role in the management and operations of co-operative societies, for example in Hungary, Poland and Yugoslavia, where co-operatives enjoy considerable latitude in managing and financing their activities. In Yugoslavia, where they exercise full self-management, the Government is considering amending the federal constitution by reintroducing property ownership by co-operatives, a right taken away in 1974.

53. In the German Democratic Republic, government policies and programmes remain less affected by these trends. The production goals of co-operatives are integrated into the system of national planning. Prices for agricultural commodities, which remain indifferent to market forces, are set with a view to increasing productivity and reducing production costs. This is part of a broader programme of State aid to co-operatives, which includes underwriting the costs of research and training.

54. In Czechoslovakia, discussions have been under way on ways to establish new co-operatives in towns and villages. Realization of this goal, it is acknowledged, entails the implementation of reforms, notably in regard to further development of co-operative democracy. In line with this aim, co-operative unions will be expected to shift the focus of their activities away from managing co-operative societies to planning their development. 2/

55. Despite these diverse, and, at times, contradictory trends in government support for co-operatives, certain common practices stand out. Foremost among them is the policy of continuing various forms of public assistance, including preferential interest rates on loans and support for training, research and extension.

56. In North America and Western Europe, there is also a degree of State support for co-operatives. By and large, the Governments in these countries encourage their growth and development, although Finland is an exception. Here, the Government has abolished all forms of State participation in and support of co-operatives, which now fall under the same rules as those regulating private enterprises. Under recent legislation adopted in Spain, the State remains committed to the principle of promoting co-operatives as being in the public interest. Consistent with this aim, the Government approved in 1985 three royal decrees which satisfied long-standing requests of the co-operative movement. As part of these changes, co-operatives are permitted to act as insurance enterprises, and unemployment benefits are to be paid to worker-members of producer co-operatives.

57. In the United Kingdom, the National Co-operative Development Agency (NCDA), whose mandate was extended in 1987 for several more years, has encouraged the organization of service, marketing and industrial co-operatives which number about 1,500. As part of its strategy, the NCDA has been promoting a network of local

co-operative development agencies. Worker producer co-operatives are to be found throughout Western European countries where they are viewed as having the potential for absorbing some of the urban unemployed and creating new jobs in small-scale industry.

58. In developing countries, the tendency to support, and often control co-operatives, continues strong, although there are signs that this practice is being changed. Public support for co-operatives reflects a widely shared belief that government in these countries has a necessary and useful role to play in promoting co-operatives. A mixture of motives was behind this policy.

59. In not a few developing countries, the attraction of co-operatives lay in their being among the few organized groups in the countryside that could be harnessed to the immense task of promoting rural development. This role has been formalized and extended in national development plans and implemented through the actions of agricultural, co-operative and related ministries. This practice of making co-operatives instruments of development is widespread in Africa. Often, the State has assigned to co-operatives responsibility for promoting food sufficiency or for implementing land reform or land reclamation programmes.

60. In recent years, the Government in a number of countries, including Algeria, Senegal and the United Republic of Tanzania, has reduced its direct involvement. In certain countries, such as Viet Nam and Sri Lanka, co-operatives are charged with distributing subsidized food staples, particularly during shortages. In a number of Arab countries, the Government has encouraged the formation of consumer co-operatives as a way of ensuring that a range of food products and other commodities are within reach of the consumer. Prices charged by these co-operatives become a measuring rod for determining prices for comparable goods sold in the private sector. These and related matters were discussed at the conference of the Arab Federation of Co-operatives that met at Kuwait in February 1988.

61. Co-operatives, because of their social character, are often perceived as having as much responsibility to society as to their members, an impression that takes on public credence because of the subsidies they often receive from government and the unique legal status they enjoy in many developing countries. Under these circumstances, co-operatives often have little choice but to go along with the Government, even though this may not always be in the interest of their members.

62. Apart from legislating a legal framework under which the co-operative movement is established and operates, the State provides a variety of financial, educational, administrative and promotional aid. Much of government support is designed to promote the formation and operations of co-operatives. This takes a variety of forms, including subsidized credit, grants in the form of money or physical facilities, tax and/or tariff concessions, preferential prices for goods bought by co-operatives and, in certain instances, monopolistic or monopsonistic privileges. Through this assistance, government provides advantages to co-operatives that may not be available to the public or private sectors. In

Nicaragua, the preferential credit rate has been one of the most important stimulants for the rapid development of the co-operative movement.

63. This public support can be beneficial both to the co-operative movement and to society at large. Enactment of a credit union law in 1972 in the Republic of Korea did much to increase the number of credit unions, their membership and the total amount of savings and loans. Most members of credit unions have low incomes and could scarcely qualify for loans from commercial banks or private financial institutions. The law, which the credit union movement took the lead in drafting, had proved successful because it ensures the full autonomy of the movement and restricts government to a limited supervisory role.

64. Government support is consistent with ILO Recommendation 127, which favours the provision of economic, financial, technical, legislative or other aid, provided it does not impinge on the independence of co-operatives. Such aid is particularly important where co-operatives perform public services that might otherwise have to be provided by the State. Co-operatives themselves often make demands on public resources. This assistance, and the various forms of controls that accompany it, have not been an unmixed blessing. In many developing countries, government has used its powers to appoint and dismiss officials and, in doing so, has undermined the autonomous and democratic character which is the hallmark of co-operatives. Co-operative members have, in these situations, not only lost control over the management of these organizations but are often required to submit to government controls on the pricing and marketing of their products. To some extent, this is offset by subsidized credits and reduced costs for other inputs which cushion the effects of receiving below-market prices. All too often, however, the combined effect of government controls over management and discriminatory pricing policies has been to weaken co-operative autonomy and democracy and undermine the co-operative movement.

65. A number of countries are questioning current policies that provide subsidies for co-operatives and mandate extensive control over their operations. To ensure the continued operation of certain of the more important functions, government could contract these to the co-operative movement. In the Philippines, for example, the government has contracted to the Co-operative Union responsibility for co-operative training programmes. This approach was supported by the United Nations Seminar on the Role of Government in Promoting the Co-operative Movement in Developing Countries, held in Moscow in May 1987, which was attended by representatives of co-operative movements and Governments from 24 developing countries. 10/ The thrust of the recommendations was that government aid to co-operatives should be more selective and not offered in a way that "limit or affect the autonomy and integrity of co-operatives or their democratic and participatory character".

66. An innovative approach that government could consider is to relate the servicing of its external debt to supporting co-operatives. This would be in line with the policy pursued by certain developing countries to swap debt for equity in domestic enterprises. Debt/equity swaps have taken place in a number of countries and the proceeds in local currency used to promote environmental, social and economic projects. This approach could be extended to include co-operatives. The



International Co-operative Alliance and the World Council of Credit Unions have established a Debt for Co-operative Investment Service whose function is to package and broker agreements whereby external debt held by commercial banks is converted into local currency. 11/ This money is then invested in specific co-operative projects. In Chile, \$US 5 million of debt held by a major United States bank has been converted to local currency under a debt for equity swap for investment in a co-operative housing project.

67. Joint approaches among countries also hold promise. For example, a bilateral agreement has recently been signed by Argentina and Uruguay on mutual co-operation and technical assistance concerning co-operatives.

#### VI. PROGRAMMES TO HELP CO-OPERATIVES TO ADOPT NEW TECHNOLOGIES TO INCREASE PRODUCTION AND MARKETING IN THE AGRICULTURAL, COMMERCIAL AND INDUSTRIAL SPHERES

68. There is a compelling need to encourage co-operatives to develop new technologies for increasing productivity and ensuring improved levels of marketing operations in the agricultural, commercial and industrial spheres. Co-operatives have to become more competitive if they are to survive at a time when government subsidies are being cut back and other forms of subventions are being reduced or eliminated. New technologies become, in many instances, a necessary condition for survival.

69. Governments and co-operatives are increasingly aware of the link between technological innovation and efficient operations. Unlike most public or private enterprises, co-operatives, being labour-intensive and under-capitalized, lack the financial resources to develop and introduce new technologies. They are, necessarily, dependent upon government or outside support. In Italy, a law was enacted in 1985 providing for the creating of a special fund, one of whose aims is to promote increased productivity and efficiency of co-operatives. In a number of socialist countries, it has been government practice to invest in technological developments, the results of which are then made available to co-operatives. This is particularly true in the agricultural sphere, where co-operatives become beneficiaries of advances in new varieties of seed, irrigation and food storing.

70. In Yugoslavia, co-operatives have been encouraged to develop new technologies for increasing agricultural production and marketing through tax incentives. The law provides tax relief to farmers of up to 90 per cent of their total tax obligations, on condition that they organize themselves in an integrated manner for production, particularly for the production of industrial crops, meat and milk. Tax relief is also available to farmers who invest in new equipment or finance the introduction of new technology. In the Soviet Union, co-operatives, now operating under market conditions and paying income tax on earnings, could be induced to modernize their operations through tax provisions such as rapid amortization of investments. Encouraging capital investments in co-operatives through the workings of the tax system could not, in the foreseeable future, be applicable in many developing countries where income tax systems play a negligible role.

71. Another approach is for co-operatives to establish close links with research institutes which, under contractual arrangements, would provide innovative or appropriate technologies. In the German Democratic Republic, scientific research centres and co-operatives conclude agreements for the development and introduction of necessary technologies in areas of direct concern to co-operatives.

72. Technological innovations can yield their intended results only to the extent that co-operative personnel are able to operate the new machines, and appropriate administrative reforms are implemented to deal with changed decision-making processes. What is often not available are training facilities and programmes involving the introduction of new technologies. This problem could be resolved through programmes established on a movement-to-movement basis or through bilateral or multilateral agreements between concerned Governments. The previously mentioned agreement between Argentina and Uruguay on mutual co-operation and technical assistance could serve as an example to other States. Such agreements fall within the spirit of General Assembly resolution 42/180 of 11 December 1987, which calls for increased technical co-operation among developing countries.

## VII. CONCLUSIONS AND RECOMMENDATIONS

73. The co-operative movement has a long record of achievement in strengthening the productive and financial capacities of countries, generating employment and providing for social needs. It is a major force in many parts of the world in securing a livelihood for millions and access for many more millions to goods and services at reasonable prices. In successfully serving the interests of its members, the co-operative also serves the wider interests of the community, promoting self-reliance and social justice. In many cases, it is specifically identified in national constitutions as a key instrument of economic and social development.

74. The role of co-operatives varies considerably from country to country and is influenced by a country's stage of development, its social system, traditions and practices, and by the interrelationship with the government.

75. In most developing and developed countries, Governments play an important role in promoting the co-operative movement. They may wish to encourage greater citizen participation in co-operatives, and encourage co-operatives to assume greater responsibility in meeting new challenges at a time of rapidly changing domestic and international economic and social conditions. Interaction between government and co-operatives should be guided by the need to assure the latter's autonomy and democratic character and to strengthen their capacity to make an effective contribution to overall social and economic development.

76. Where they have not already done so, Governments may wish to adopt legislation governing the status, membership, operations and administrative procedures of all types of co-operative organizations; co-operatives should take an active part in drafting such legislation. The law should be based on the principles of co-operation set forth by the International Co-operative Alliance and in ILO Recommendation 127 and recognize co-operatives as a distinct form of economic and

social organization, having rights comparable to those of business organizations in the public and private sectors. Co-operatives should enjoy full freedom, consistent with the philosophy and principles of co-operation, in their activities, including the rights to operate on a competitive basis with all other forms of organizations at the national, regional and international level and to work with government, ensuring compliance with the law governing their administrative procedures and operations.

77. Measures should be taken to strengthen co-operative organizations at the national level to enable them to function as full partners to government in all areas of common concern. They should be active participants in the planning and administration of development programmes, in the formulation and administration of laws and regulations concerning co-operatives and in the maintenance of adequate safeguards of members rights. The national co-operative movement should have a fair share of available national resources as well as access to governmental finance, technical, economic and other benefits to promote its organization and development. Effective training and educational programmes should be developed at the grass-root level in order to respond adequately to the real and perceived needs of the members of co-operatives.

78. Co-operatives are the most widespread form of organization of rural people. However, their potential for meeting the needs of poor peasants, the landless and nomadic populations is not fully used. In order for co-operatives to play a more effective role in alleviating rural poverty, Member States may wish to (a) consider special measures such as adoption of legislation to ensure that a specified share of co-operative loans be made available to the poorest peasants; and (b) provide new opportunities for work and income by encouraging people to form craft, housing, consumer and small-scale industrial co-operatives along with other participatory organizations. Non-farm employment could reduce dependence on the land and, in the process, help to diversify the economy. To encourage nomadic populations to pursue a sedentary life, the co-operative can provide an appropriate economic structure to promote cattle, sheep and other forms of animal husbandry.

79. Urban-based co-operatives and similar organizations, including credit and savings' unions and consumer, housing, insurance, transport, food-processing, handicrafts and small-scale industrial co-operatives play an important role in promoting development. The emphasis now is to consolidate the gains of recent years, to improve the management and project financing to increase financial resources, thus helping co-operatives to meet the challenges of today. Urban co-operatives should study closely new ways of raising capital, including those successfully pioneered by some agricultural co-operatives.

80. Greater participation by women and all population groups, including youth, disabled persons and the aging, in the co-operative movement could be more successfully secured by joint efforts of all institutions and groups concerned. These efforts may include removing artificial barriers to membership; increasing representation of less advantaged population groups at the managerial level; extending participation in the savings and credit and consumer co-operatives and self-help groups; assisting separate co-operatives and similar organizations of women, youth, disabled persons and the aging; and more emphasis on information dissemination about co-operatives in schools, colleges and universities.

81. Member States may wish to provide more encouragement to co-operatives to adopt new technologies to increase production and marketing in the agricultural, industrial and commercial spheres. Measures might include creation of a special fund for that purpose; more investment in technological development, with follow-up results made available to co-operatives; appropriate tax incentive policies and legislation; creation of training facilities; and programmes involving the introduction of new technologies.

82. A development which deserves to be supported is the allocation of counterpart funds from debt "swap" arrangements through the co-operative movement to promote environmental, social and economic projects.

83. International governmental and non-governmental organizations could, upon request, help Governments to improve the economic, social, legal and political conditions governing co-operatives procedures and operations. Members of these organizations, while playing an effective role as co-ordinator and catalyst of co-operative actions in the interest of more effective international co-operation for development, may wish to promote and provide increased movement-to-movement assistance, both North-South, South-South and world wide. In this connection, the participants in the United Nations Seminar on the Role of Government in Promoting the Co-operative Movement in Developing Countries (Moscow, USSR, 18-22 May 1987) recommended that the possibility of transforming ILO Recommendation 127 into a convention and of proclaiming an international year of co-operative development should be examined. 10/

#### Notes

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3/ United Nation Industrial Development Organization, "Co-operative food industries. Assessment of the present situation and future potential". Technical report: "Food processing activities in the Sudan" (PPD/R.8, 13 August 1987), p. ii.

4/ Report of the World Conference to Review and Appraise the Achievements of the United Nations Decade for Women: Equality, Development and Peace, Nairobi, 15-26 July 1985 (United Nations publication, Sales No. E.85.IV.10), chap. I, sect. A.

5/ International Labour Organisation, Participation des femmes aux sociétés et groupement coopératifs, Sectoral Activities Programme Working Paper No. 11 (Geneva, 1987), (available in French only).

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8/ Centrosoyus Review, No. 9, 1988.

9/ The Czechoslovak Co-operator, No. 3, 1988, pp. 2-3.

10/ United Nations Office at Vienna, Centre for Social Development and Humanitarian Affairs, Report of the Seminar on the Role of Government in Promoting the Co-operative Movement in Developing Countries (Moscow, 18-22 May 1987), p. 21.

11/ See Jack Shaffer, "Recycling Third World Debt for Co-operative Investment", World Council of Credit Unions and International Co-operative Alliance, 1988.

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