

AGRICULTURAL COOPERATIVE DEVELOPMENT

A MANUAL FOR TRAINERS



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Current trends in the development of cooperative organisations

The economies of many countries are currently undergoing transformation to adjust to market oriented reforms. The involvement of governments and parastatals in the national economies has been harmful in many ways and as a result, they are called upon to intervene less, and to let markets work. In a number of countries, government policy has consisted of approaches that resulted in less rather than more effective operation of cooperative organisations.

Cooperative organisations have often been created from above without the genuine participation of members. As a result the members have, in many cases, become alienated from what should have been their own organisations, with little or no influence on issues that should be of direct concern to them, such as the marketing and pricing of their own products. The potential of genuine cooperative organisations to contribute to rural development based on popular participation has to a large extent been wasted and the very concept of cooperative self-help has fallen into widespread disrepute. Thus, in many countries a review of policy concerning cooperatives is needed with a revised approach being based on the principles of participation, and consultancy rather than intervention. This does not necessarily mean that existing policies need to be completely abandoned, in many cases, they can be adapted to suit a more participative and market oriented approach.

The impact of economic and political changes on cooperatives has been varied with some positive and some negative effects. A positive effect is that cooperatives often benefit from the withdrawal of parastatals through achieving a more sustainable relationship between members and their environment. Cooperatives can also contribute to society more as “schools for democracy” without the state subsidy and support.

The growing trend is for privatisation, decentralisation and participation, in which people have far more responsibility for their own development. This will include a much stronger emphasis on mutual self-help and reliance on own resources, and a reduced expectation that governments will intervene with assistance. Many governments have come to accept this approach.

However, putting this into practice is a long term process requiring training and organisational growth to develop the business skills needed for a market economy.

While the restructuring process taking place in many countries results in a more favourable environment for the development of cooperative organisations, at the same time it exposes them to the tougher conditions of free enterprise and competition with other commercial firms.

Through mutual self-help in areas of common interest, cooperative organisations can achieve strength in the market place. Through participatory activities it is possible to mobilise local resources and local knowledge for self-reliant development. That is the way towards developing a genuine cooperative movement, a small scale farmer owned business organisation, one which has successfully been adopted by farmers in many countries throughout the world.

About this manual

This manual is intended for cooperative trainers who will either work directly with cooperative organisations and their members, or will train other trainers.

It is not intended to be a theoretical textbook, but a source of ideas and suggestions for facilitators or resource persons, in making the work of cooperatives more efficient and effective.

Some of the ideas and proposals are of particular use for smaller cooperative organisations or organisations in the process of being formed. Others will be more relevant to larger organisations with wide experience in business transactions that are in the process of being transformed into genuine self-help organisations (e.g. in Eastern European countries). However, many of the principles of participation and self help are of relevance regardless of the size and origin of the cooperative. All cooperatives also need to deal with business aspects to a great extent from the very outset.

This manual emphasises the need to base all training and promotional activities on sound principles of first appraising local circumstances.

For any promotion/training to be effective it should be based on what the cooperative members feel they need to know, rather than attempting to pass on everything there is to know about a particular subject. Local cooperative members are unlikely to have the time or interest to listen to information that is irrelevant to them. If they are also asked to contribute to the development/training process either financially or in terms of their input, they will be very unlikely to want to do so unless they can see immediate use for what they have learned.



Objectives of the manual

This manual deals with ways in which trainers and promoters of cooperatives can support cooperative members and management in the development of their cooperative organisations. Its aims are:

- to broaden the trainers' view of their role, and ways in which they can react to circumstances, and to increase their confidence in their own capabilities. In short, to increase their **competence**.
- to help the trainer become an effective **facilitator and moderator**. That is to say someone who can offer new methods for dealing with problems and tasks, assist in solving conflicts, draw attention to alternatives and assist in the more effective operation of the cooperative
- to equip the trainer with tools to act as a **resource person**, providing information to the cooperative organisation, its members, leaders and managers.
- to familiarise the trainer with **participatory techniques** which involve all parties concerned with the future of cooperative organisations.
- to support the trainer in the various tasks of **raising awareness among** cooperative promoters, members, decision-makers, leaders and managers, of their problems/ constraints as well as to their potential/capabilities, without taking the initiative away from them, thus ensuring the greatest possible acceptance of whatever plans are to be followed.



Structure and approach of the manual

This manual will guide trainers through the processes of training others on how to:

- work with cooperative promoters, members, leaders and managers to arrive at a clear picture of the cooperative's business and group development needs;
- translate, together with the local partners, these needs into accurately focused training and non-training solutions;
- agree on training and development objectives and plans with the local partner in order to meet the above objectives;
- choose training and development methods and processes to effectively implement and execute the above plans;
- choose suitable training content;
- carry out training activities based on the above plans and
- assist the local partners in monitoring and evaluating the benefits that are derived from effectively planned and conducted training and development.

As a result of the above process, new training needs may be identified and assessed, leading to a new sequence of training activities.

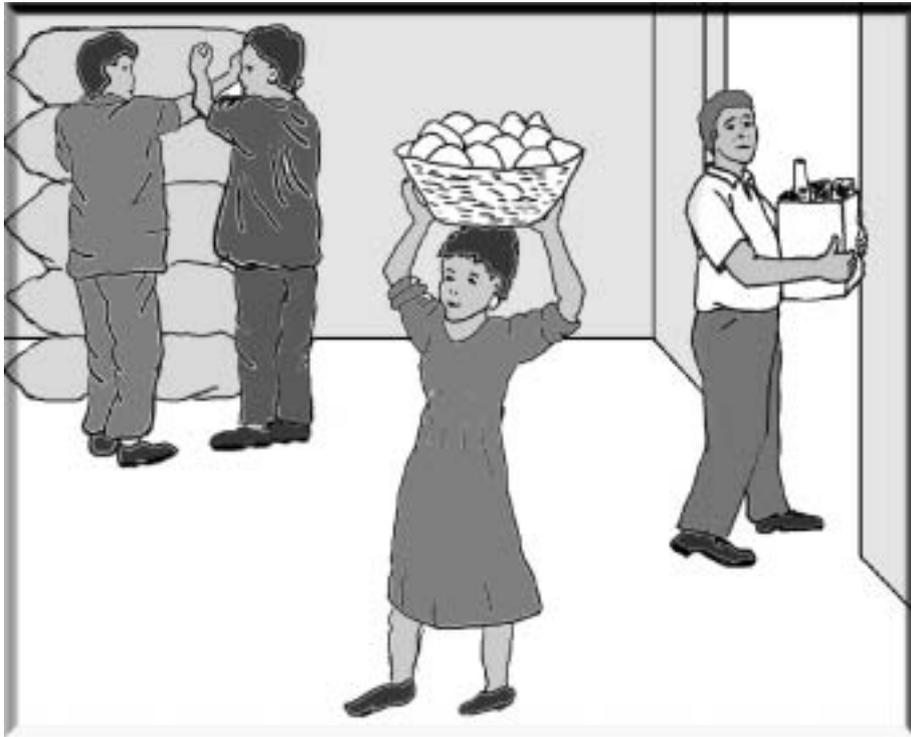
A range of examples and exercises are given which could be used in promotional and training activities. Further sources of such material can also be found in the bibliography. Exercises given are intended as suggestions, and trainers may well find that other exercises are more suitable in their context, or an exercise introduced in one section may be better used in another section.

Neither profound knowledge of any one subject nor the most perfectly conducted participatory exercise, however, can replace empathy and a genuinely respectful attitude by the trainer towards his or her trainees. It is only possible to enhance the motivation of co-operators if more responsibility for - and thus ownership of - the results of the training lies with the trainees.

You do not need to know the answer to all you are being asked. It is more important that you help whoever is enquiring, to find out for himself or herself. That way you do not feed the hungry with fish, but teach them how to fish, so that they will never have to go hungry again. In order to be a good trainer it is important to have an appreciation of what it is like not to know, not to be able to do or to be afraid of never getting there in the first place. There may be some truth in an old proverb that says: You teach best that which you most need to learn.

MODULE 1

UNDERSTANDING COOPERATIVES



MODULE 1: UNDERSTANDING COOPERATIVES



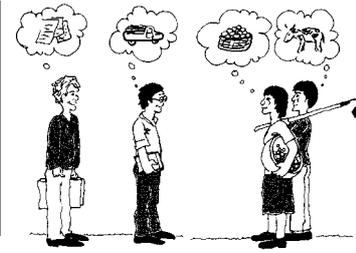
Introduction

This module gives an introductory overview of cooperatives covering the following aspects:

- what are cooperatives & what distinguishes them from other forms of business
- conditions for creating a cooperative
- forming a marketing cooperative

SECTION 1.1

WHAT IS A COOPERATIVE?



Objectives of the section



By the end of the module, participants will be able to state the main characteristics of cooperatives and the difference between them and other types of business organisation and the main conditions needed to create a cooperative.

Key learning points



- Principles and values of cooperatives
- What distinguishes cooperatives from other forms of organisation
- Conditions needed to create a cooperative
- Essential conditions for success
- Advantages of cooperatives over other suppliers
- The role of government

Teaching strategy



Ask training course participants to discuss the two questions below in small groups of three or four.

- What is a cooperative?
- How can cooperatives be distinguished from other forms of organisation?

Ask the groups to present their thoughts on these subjects, then hold an open discussion at which the common characteristics of cooperatives given below should be drawn out (Other characteristics may also be mentioned).

Reference information



Cooperatives are based on values of self-help, self-responsibility, democracy, equality, equity and solidarity. While cooperatives are also businesses, the main objectives for people to set up or join a cooperative is to improve their economic and social conditions through joint action for the good of all members rather than through individual concerns only.

Cooperatives have a number of common characteristics such as that:

- members are united through at least one common interest
- members pursue the goal of improving their economic and social situation through *joint* actions
- members use a jointly owned and operated unit which provides them with goods and/or services. Regardless of its physical size and activities, the unit's purpose is to use the joint resources of the members to produce or obtain goods or services for the members.

Seven principles of cooperatives

At the congress of the International Cooperative Alliance in Manchester in 1995, seven principles of cooperatives were agreed by which Cooperatives put their values into practice:

1st principle: voluntary and open membership

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

2nd principle: democratic member control

Cooperatives 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 cooperatives members have equal voting rights (one member one vote), and cooperatives 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 cooperative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their cooperative enterprise, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative and supporting other activities approved by the membership.

4th principle: autonomy and independence

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

5th principle: education, training and information

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

6th principle: co-operation among cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional. and international structures.

7th principle: concern for community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

Conditions needed to create a cooperative

Cooperative organisations are based on several fundamental conditions:

- existing problems and constraints cannot be solved individually. A **group** of motivated persons who **share common problems** is needed.
- there is **no alternative** to cooperative self-help - e.g. help cannot easily be provided from family, a social institution, or the state.
- the **advantages** of membership (access to goods, inputs, loans, services, markets, etc.) **outweigh the duties** of membership (e.g. contribution of resources such as money, time, land, equipment etc.).
- at **least one person** amongst the group has leadership ability and **takes the initiative** to represent the group. It is essential for successful work that s/he be reliable and have charisma.
- there are **no legal or political restrictions** on groups being able to elect their own leaders; market their own goods; earn profits and to make their own decisions about distributing surplus, etc.

Essential conditions for continued success of cooperative organisations

There are a number of conditions which are essential if a cooperative is to continue to be successful after the initial enthusiasm of starting up.

- the cooperative needs to produce **visible and tangible (economic and social) benefits** for members, outweighing the costs involved in cooperation. Cooperatives can only develop as autonomous self-help organisations when they are able and allowed to operate as business institutions geared to succeed in market competition.
- the cooperative has **motivated, experienced and dynamic managers** who are able to plan and implement business policies. They must be able to provide the services and goods required by the members, taking into account both the interests and needs of members as well as the entrepreneurial goals of the cooperative enterprise.

- the structure and management of the organisation correspond to the **capabilities of its members**. If members' competence and motivation is low, the promotion of complicated and complex cooperative organisations does not make sense.
- **members participate as both users and owners.**
Cooperatives are participative self-help organisations in that the members are also co-owners and have both the rights and obligations of participating in goal-setting, decision-making and control or evaluation processes of their cooperative. Members decide upon the services to be provided and benefit from what is produced or obtained by the cooperative. There should be incentives for them to contribute their own resources (capital, labour, produce) to the development of the cooperative. A major reason for the failure of cooperatives is the lack of participation of members. It is extremely important that members act as both users and owners in the development of cooperative organisations through participation at three levels:
 - participation in provision of resources (input participation)
e.g. contribution of capital, labour, delivery of produce,
 - participation in the decision-making processes of the cooperative organisation as a member in the general assembly, section meetings, work groups, committees or as an elected leader on the board, and
 - participation in the produced benefits (output participation), by sharing the surplus earned during the year by the cooperative enterprise, in the form of a patronage refund, interest on share capital, or the use of joint facilities and services.

Cooperatives, as with any business organisation, also need to be flexible and able to change with the circumstances. At present, cooperative organisations all over the world are facing the task of transforming and adjusting themselves to a new economic and political environment, market oriented conditions and increasing member demands. This means a need to learn new production methods, new methods of organisation and management, and in particular, ways to help maintain or increase, member loyalty and commitment. This can be achieved through increased participation, communication and information provided the organisation's core activities are efficient in meeting members needs.

Potential advantages of cooperative organisations

Farmers and rural household can either **produce** inputs themselves or **buy** them. Cooperatives are one way individuals **buy** inputs and services. To be attractive, therefore they must offer advantages over the alternatives.

Cooperative organisations will have advantages over their competitors when they can either provide the same services/activities at lower costs through:

- economies of scale (e.g. bulk purchase)
- reducing transaction costs e.g. for information, implementation, control and exchange of services and goods,
- reducing uncertainty concerning e.g. prices and availability of inputs,
- avoiding linked markets, i.e. where for example the purchasing of inputs or the marketing of produce are linked to the provision of loan facilities.

or,

- they can offer new services / access to external resources / services not otherwise available.

Since members are not only clients, but also owners of the cooperative organisations they also participate in forming and steering their own organisation which means they can help ensure it meets their needs and share its profits or distributed earnings. Non-members do not have this advantage.

Some cooperative organisations consider it legitimate to allow non-members to make use of cooperative services where for example this allows for greater economies of scale or helps to attract new members. Non-members, however, do not have a say in the running of the cooperative.

The role of government and external assistance in promoting cooperative organisations

In many cases, governments have provided too many regulations and controls on the activities of cooperatives for them to be able to function effectively. Ideally, they should act only to create the general framework conditions needed so that cooperative autonomy, self-financing and self-reliance is strengthened and not undermined. This means ensuring that legally, groups are allowed to elect their own leaders; to market their own goods; to earn profits and to make their own decisions about distributing surplus and to carry out numerous other business activities in the members' interests. Government's should not otherwise intervene in the internal organisation or operations of a cooperative, and should leave all attempts to improve efficiency and to comply with cooperative principles and values to the members themselves.

It should be clearly understood that cooperative organisations should not act in any sense as agencies of government, and should not play a role as a governmental agency, or as an entity charged with special responsibilities by a government. The potential which cooperatives have for achieving desirable economic and social conditions must be understood as the potential they have for reaching the objectives of and for satisfying the needs and interests of their own members rather than directly influencing society in general.

Development of cooperatives from other self help organisations

There have been many attempts by government to promote the development of indigenous self help organisations into formal cooperatives. Such a process however, seems most effective when it results from efforts of members themselves. They can at best be assisted, either informally, by members of established cooperative organisations, or, more formally, by facilitators or cooperative promoters from representative organisations of cooperatives, or NGOs.

Government intervention to precipitate or control such a process in most cases has proven counter-productive.

SECTION 1.2 FORMING A MARKETING COOPERATIVE



Objectives of the section



By the end of the section, participants will be able to analyse a request to form a cooperative and draft outline statutes

Key learning points



Key information needed in forming a cooperative

Legal regulations

Interests of members and prospective members

Finance

Facilities

Marketing

Management

The statutes

Name & Location of business

The Objective

Membership

Organs of the cooperative

The general meeting of members

The management board

The Control board

Equity capital and joint liability

Proceedings and regulations

Teaching strategy



Case Study:

Using the case study below and the above reference material, participants should work in groups of 5-10 to prepare a draft set of points for discussion by members of a new cooperative. Imagine you are the farmers concerned in forming the cooperative.

A farmers cooperative

In Agar province, the farmers have become concerned that they are receiving lower and lower prices for their produce from the traders who come to their villages to buy them. They are considering forming a marketing cooperative to sell their produce directly and 15 farmers have come together to discuss some of the needs of members.

The villages have roads leading to them suitable for four wheeled vehicles during most of the year, though there can be problems during the rainy season. At present most of the produce is sold by the traders in the main town of the province which has a number of large to medium sized industries involved in food processing and also a sizeable tourist industry. The farmers produce maize, wheat and a range of fruit and vegetables. The quality is fair but could be improved and at times, they cannot sell all their produce to the traders.

The groups should consider in particular the following points making suggestions where possible or listing questions which need to be answered. State any assumptions made which would need to be checked.

- Objective and activities of the Cooperative
- Facilities needed by the cooperative
- Membership
- Management of the Cooperative
- Finance - equity capital and joint liability



Notes

Reference information



Forming and organising a marketing cooperative

In considering whether or not to form a cooperative, a number of issues need to be discussed. Before going into detailed plans, members need to be clear what they expect to achieve through the cooperative. i.e. what is the purpose and is this the best way to achieve such a goal?

An objective of a marketing cooperative for example might be to assist the interested farm households in marketing their produce on a sustainable basis, thus providing increased income and improved living conditions.

The cooperative would then need to design, plan organise and implement all activities related to this objective.

For example:

- market surveys and studies to explore what kind, quality and quantity of produce customers want;
- arranging contracts with the customers;
- providing training to members to improve and maintain the quality of their produce;
- assisting farmers in improving and increasing their agricultural production; collect the goods at the farm gate, or being ready to receive the products delivered by the farmers themselves;
- controlling products with regard to quantity and quality.
- preparing the produce for delivery to the customers. i.e. processing, packing, storage and delivery.

Main steps and activities in forming a cooperative

(Adapted from DGRV 1990:35)



Step I: Hold an initial discussion meeting

An informal meeting of those interested in forming a cooperative first needs to be held to discuss the following (non-exhaustive) list of points:

i Interests of members and prospective members

- what is the purpose of the cooperative business? what will be its scope?
- what are the common interests of members in forming a cooperative?
- what are the needs and interests of members for supply, processing and marketing?
- what will be the activities of the cooperative?
- what will be the advantages of becoming a member?

ii Regulations

- what permission is needed to set up and run a cooperative business?
- what will any permits cost?
- are there favourable conditions which will favour the cooperative development process, e.g. government assistance programs, favourable credit conditions etc?

- what internal regulations ('statutes' or 'by-laws') need to be agreed by the founding members in order to get a clear understanding of the cooperative group and its activities?

Contact the local authorities to review the law and statutes regarding cooperatives in the area. Model statutes may be available which could guide this process.

iii Finance

- are members able to contribute their own resources to the cooperative (cooperative shares)?
- how many members will join, and with how many shares (paid up)?
- how much working capital is needed? how much will be available? (cash money, liabilities)?
- are the member households able to, and interested in, providing their produce in the needed quantity and quality on a sustained basis?

A plan needs be prepared stating the finances required and where it will come from to finance the planned activities.

iv Facilities

- which facilities are needed: offices, storage rooms? Will they be rented or constructed with own means?
- what equipment is needed: transport facilities, office equipment, storage facilities, packaging and handling equipment?
- what staff are needed (office clerks, accountants, technical training staff, labourers to receive the products, pack and deliver them etc.)?

v Marketing

- how can customers needs be identified?
- what are the possible outlets for sale of members produce?
- can long term contracts be made with such suppliers and customers?
- who are the competitors in the region?

vi Management

- who will run the activities of the marketing cooperative?
- how will they be chosen?
- are the persons elected trustworthy and honest?
- do they have conflicting interests while performing other activities of their own?
- do they have the knowledge, skills and experience needed?

Step 2: Prepare the cooperative statutes/by-laws

(Adapted from Gachanja 1989: 11)



The results of the discussions on the above points need to be written into cooperative statutes or by laws which are the *interpretation* of the cooperative law for that particular cooperative. Statutes regulate not only the existence of a cooperative, but also the direct relationship between the cooperative society and its members. They are the internal legislation of the cooperative. When a cooperative is in its formative stages, the founder members have the task of fulfilling all the conditions which are necessary if the cooperative is to have a

sound foundation. Cooperative movements, governments or other institutions often make available a set of model statutes as a guide to help the founder members to formulate statutes for their specific cooperative.

However model statutes are intended as guidelines only, the fact that they exist, does not mean that they should be imposed on the founder members. New cooperatives often accept model statutes without discussing their contents section by section which means that members do not understand the meaning of the statutes or whether they are needed for their particular cooperative. If statutes are not properly discussed, it may happen that a few members create and impose their own rules and run the cooperatives according to their own style and for their own benefit. This is likely to result in members being unhappy with the results and apathetic about their involvement in the cooperative.

The founder members will need to formulate the statutes of the cooperative themselves. Outside resource persons may be needed at this stage particularly someone familiar with the process and the legal requirements. It may be more practical for a sub group to be formed to gather the information needed & draft the statutes, for discussion by all the founder members.

Contents of the cooperative statutes/by-laws

The statutes are most important basis for the legal relations between the member and the cooperative and consequently should be as detailed as possible. Cooperatives are free, within the limits of the cooperative law, to make statutes regarding all matters necessary for the functioning of the cooperative organisation and for achieving its objectives.

Some cooperatives include the relevant aspects of cooperative law within the statutes even though these are already prescribed by the cooperative law. Since cooperative members often have easier access to the statutes than to the law, in this way they are able to obtain all necessary legal information from one document.

The statutes should be divided into following main headings:

Firm(name) & Location of business(residence)

A cooperative must be recognisable by its name. The economic function should also be evident in the name, e.g. marketing, purchasing, production, multi-purpose, integrated agricultural cooperative etc. Its location should also be part of the name. e.g. 'Arango district agricultural marketing cooperative'

Apart from the legal requirements in relation to the name it is advisable to choose a reasonably short name which is easy to remember, to pronounce and also to identify the cooperative with. A name should also be able to survive changes which may take place as the cooperative develops, e.g. an expansion of activities and business.

The Objective

A cooperative unites people who have at least one common interest which is usually articulated as a problem which the members would like to solve. In defining the objective, it is important that the members consider what the root problems are first before deciding how to solve them. (e.g. low incomes rather than lack of markets for a particular crop).

The cooperative can only carry out activities which work towards the objectives for which it was formed. The cooperative therefore needs to look at all its intended activities when defining its objectives. These activities or functions of the cooperative can be identified once the nature of all

the problems of its members have been defined and the necessary measures for solving these agreed. For example, a marketing cooperative should not only market the products of its members, but also show the members new or better methods of improving the quality of their products.

The objectives of the cooperative should include a general statement as to the purpose of the cooperative, e.g. “to market the farm produce of its members”. A specific statement would then detail the goals of the society, through which the cooperative can fulfil its purpose.

For example

- investigating the markets to determine what products of what quality and quantity customers want.
- building and maintaining storage facilities;
- maintaining a system for collecting the produce from the farms;
- processing and packaging the produce before sale as needed;
- marketing the produce to gain the best price possible, and
- advising the members on how to improve their produce and grow different products to suit the market.

Membership

Cooperatives are only as strong as their members make them. Members need to be aware of their dual role, as both owners and customers of the cooperative. Members need to understand the rules governing operations of a cooperative if they are to play these two roles successfully. Matters related to membership must, therefore, be regulated with utmost care.

Membership should be linked to pre-requisites and if these become no longer valid at some point, there needs to be provision for membership to be cancelled. For example, members must be farmers and exercise their profession and business. This provision is of importance as cancellation of membership by the cooperative is not otherwise possible (though members themselves may cancel their membership). A period of notice should be foreseen (e.g. three months to one year) for membership to be cancelled. Membership can be inherited, if the heir fulfils the requirements laid down in the statutes. While a member in principle has the right to use the services of the cooperative, the cooperative itself cannot force the member to use the services if no provision is made for this in the statutes.

To qualify for registration, a cooperative needs to have a certain number of members which has to be set out in the statutes. In many countries, the number is ten though this varies from country to country. The cooperative should not feel, however, that just because it has the minimum required membership, it should begin operations. In many cases, the minimum number may be too few to function effectively as a business.

The main points that should be included in the statutes concerning membership are:

- acquisition of membership - who can become a member
- termination of membership - when can a membership be ended
 - transfer of member's share capital
 - death of a member
 - exclusion of a member

- arrangements between member and cooperative
 - rights of the members
 - obligations of the members

In some cases, it may be decided that non-members will also be allowed to make use of some or all of the services of the cooperative. If so, this should also be written into the statutes but as an additional character only as opposed to the main purpose of the cooperative.

Organs of the cooperative

(adapted from Gachanja 1989:71)

i The General Meeting of members

The **general meeting of members** is the supreme organ of the cooperative. This means that the general meeting makes all basic decisions regarding the structure and operation of the cooperative and any decisions made at a general meeting override decisions made in any other forum. However, in the early stages of cooperative activities, especially, members may not be in a position to participate effectively in the decision-making process for example, because:

- members may not be able to understand the complexity of the issues which call for a decision;
- the organisation of the meeting may make effective decision making difficult (e.g. too many people);
- one group may dominate the meeting preventing effective discussions;
- the cooperative has grown so big that the management keeps all the information to itself, reducing the importance of the role of the members in decision-making

In order to ensure that members participate actively in meetings and are able to make effective and informed contributions, it is suggested that the cooperative organises discussion seminars prior to the general meeting. At these seminars members could be informed in detail and discuss the issues on which decisions need to be made at the general meeting. Such “seminars” should be an integral part of the statutes. The cooperative should assess which issues need prior discussions in this way. In such a seminar it would also be possible to invite “resource persons” such as bank officials and local decision-makers, who are in a position to analyse issues from all sides. Thus, members can be informed extensively but left to form their own opinion. These seminars could be held together with the meeting. However, the seminar must have an official end and the meeting a formal beginning.

The statute may contain the following provisions for the general meeting:

- pursuance of membership rights
- period of time and location of the meeting
- convocation and agenda
- chairmanship of the meeting
- subjects for decision-making
- majority requirements
- discharge of committee members
- voting and elections
- right to demand information
- records, minutes

In smaller cooperative organisations it is usual for all members to have equal voting rights “one member - one vote”, at the general meeting (despite the possibility that some members may own more shares than others). It may be useful to allow members to transfer their voting rights to another member, relative etc. if they are unable to vote personally.

ii The Management Board

The **management board** (management committee or board of directors) is responsible for running the cooperative. It should consist of at least two members who can be asked to act on behalf of the cooperative either jointly or individually. It is advisable to act jointly to guarantee the control of the management. The statutes should spell out whether the board can act and take decisions only on the explicit authority and approval of and by the members, or whether the board can act more independently, thus acting on behalf of the members without having to consult them on every issue.

The management board may carry out its activities as their main work, as a part time job, or as an honorary occupation depending on the size of the cooperative and amount of work involved. In many cooperatives the functions can be carried out on a part-time basis with perhaps one or two paid clerks to assist the board. As the business and needs of the members expand, however, more and more time will be needed and it may become necessary to employ a full time manager.

It must also be decided for which period the board is elected (usually between two years and five years).

The following aspects of the management committee of the cooperative organisation may be defined in the by-laws:

- who is responsible for the management of the cooperative organisation
- who represents the cooperative organisation
- what are the tasks and obligations of the management committee
- who reports to the control board. (see below)
- what is the composition, duties, obligations and service regulations of the management committee?
- which decisions need the approval of the control board?
- when should the management committee participate in meetings of the control board?

iii The Control Board

While the management board (also called Supervisory Board) is responsible for running the cooperative, the purpose of the control board is to exercise the members’ control over the decisions made by the Management Board. The functions of the control board also, should be laid down in the statutes.

The **control board** should consist of at least three members elected by the general meeting. Some restrictions on who is eligible may be written in to the statutes. e.g. minimum or maximum age, a certain level of education or professional experience etc.

The following provisions may be included in the by-laws/statutes

- duties and obligations of the control board
- joint meetings of the management committee and the control board, matters which need the approval of the control board

- composition and election procedures
- constitution and decision-making

Equity capital and joint liability

Equity capital (ownership capital) must be determined in the statutes. The amount of the business share must be calculated to guarantee the smooth running of the cooperative business. It may be written into the statutes that the equity capital can be paid in instalments rather than all at one time. A minimum sum (or percentage) should, however, be fixed.

The statutes should also make provisions for any statutory reserves required by law, and any other reserves (voluntary reserve fund) thought necessary. The joint liability beyond equity should at least be as high as share equity which increases the credit worthiness of the cooperative.

Distribution of any net surplus needs to be decided by the general meeting. Surplus should be distributed according to the transactions with the cooperative and may be according to the paid-up shares of the members.

Members' participation in the financing of the cooperative should not however be restricted to share contributions and payments into the reserve. Members can be induced to make larger contributions towards the financing of the cooperative where it is seen to be to their benefit, for example, by paying them a form of dividend on members' money which exceed the statutory requirements.

The statutes should clearly define:

- which members' money form a part of the cooperative's self-financing;
- how any extra money is to be treated, e.g. as form of borrowed capital (loans from the members) on which an interest must be paid, or as deposits etc., and
- how to calculate the value of non-peculiar contributions -such as labour- from the members.

Borrowed funds form another source of cooperative's financing. The statutes need to clarify matters such as:

- any extra liability which may be imposed on the members when the cooperative borrows money externally;
- who gives the authority to borrow and to whom this authority should be granted;
- the purpose of such borrowed funds and
- which sources of funds are acceptable.

Proceedings and regulations

Cooperative law only contains general regulations for the functioning of the cooperative. In order to avoid misinterpretations, the statutes should make provisions for details such as invitations, calling and chairing of meetings, the establishment of sub-committees and rules for voting. This will help the members and the organs to protect their obligations and rights.

