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**How Cooperatives and their Apex Organizations
can Improve their Environment at the Local,
National and International Levels**

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I. Introduction

The earlier presentations in the workshop would have covered significant ground in two important areas namely, the definitions of a supportive environment for cooperatives and the major prerequisites for establishment of a supportive environment. Therefore, it is proposed to review these two topics as also briefly touch upon the general environment for cooperatives in developing countries only to the limited extent of meeting the objectives of this paper. What follows thereafter are the strategies that could be considered by cooperatives and their apexes to improve their environment at local, national and international levels.

The title of the paper relates to how cooperatives and their apexes work to influence and improve their external environment. Therefore, for the purposes of brevity this paper does not substantially address the relationships between cooperatives, their federal bodies and apex organizations, their role domains and interdependencies. Suffice to mention at this stage that these issues – which are basically internal to the cooperative system - can and do affect the overall ability of cooperatives to improve their environment.

II. Understanding the Context of a Supportive Environment

A common starting point to assess the supportive environment for cooperatives is to ascertain whether the state finds merits in supporting cooperative development - given the degree to which it has adopted liberalised and globalised market driven economic policies - and what efforts has the state made to articulate its belief through suitable policies and actions? In other words, what needs to be assessed is whether the state's choice of adopting free market policies brings with it a simultaneous action to enable cooperative development?

A related question is whether the creation of an enabling environment for cooperatives is influenced by the historical evolution of the nation state and the choices exercised by that nation state to develop its economy, by opting for say, a centrally planned communist model or, a socialistic pattern of society or, a mixed economy or, preferring to follow the capitalistic model and/or, confining government's role to basic governance.

The effective administration of justice by the judiciary is another major pillar that is responsible for creating the appropriate environment in which cooperatives can develop and function successfully. The extent to which a free and fair judiciary is in a position to discharge its duties in a fiduciary manner can significantly influence the level of legal support that is available to cooperatives to develop themselves.

III. Some Major Prerequisites for a Supportive Environment

The stage for a supportive environment for a cooperative form of organisation is normally set with provisions in the state constitution granting citizens basic civil rights such as

the right to form associations or unions and other related rights such as the right to speech and expression and the right to practice any profession, carry out any occupation or trade or business. The foundations of such a supportive environment are of course qualified since civil rights are normally subject to considerations of the sovereignty and integrity of the state, public order, interests of the general public and what are classified as reasonable restrictions.

The next stage in a supportive environment – in the context of cooperatives - relate to the nature and quality of the state's cooperative legislation as well as how other legislations impact the functioning and development of cooperatives. Legislation is considered necessary because it helps society organise itself along efficient lines and generally provides for matters that are socially appropriate and morally desirable. Good legislation is supposed to direct activities having a great deal of community interface such as voluntary association, commerce, manufacturing, and public services into orderly modes, provide a non-contextual framework for decision making and enable effective conflict resolution. This is the enabling part of legislation. On the other hand, there is the non-enabling or disabling version of legislation when it is considered – either fully or in part - as an instrument that stifles spontaneity and creativity and is frowned upon as impediments to the development of both the individual and society.

Thirdly, a supportive environment for cooperatives depends a great deal on the nature of cooperative policy as well as the space and importance devoted to cooperatives in a state's public policy. While legislation is normally referred to as the making of law or any set of statutes, policy connotes a course of action adopted and pursued by a government and/or, a definite course of action adopted for the sake of expediency. Policy is also referred to as the set of general principles by which a government is guided in its management of public affairs, or the legislature in its measures. So, one can have a policy for making legislation. Alternatively, one can set a policy for implementing and enforcing a particular piece of legislation. A major distinction between cooperative policy and legislation is that the former is the domain and responsibility of the government. The latter is the role domain of Parliament and legislature. This makes it important to ensure that there is harmony between cooperative legislation and policy and this harmony is achieved in the context of providing an enabling environment for cooperative development.

The character of a supportive environment for cooperatives could possibly differ from country to country. This is because a supportive environment has a lot to do with the nature of the relationship between the state and cooperatives. In some countries, both the government and the cooperative movement may continue to find merits in having an enduring partnership. In other countries, there may just not be any such partnership or, for that matter any relationship at all. And, in many states that were once colonised, the legacy of state-cooperative partnership - established during colonial rule - and sustained on those frameworks even after the nations attained independence are now a subject of serious reassessment and not surprisingly new paradigms appear to be emerging. Therefore, while it is possible to evolve some basic and common elements of what constitutes a good supportive environment for cooperatives, it is important to recognize that each state would have to progress a supportive environment for cooperatives based on its conditions of polity as well as its social and economic conditions.

IV. The General Environment for Cooperatives

The general environment for cooperatives can be described more fully by referring to the changes over the past decade or so. Beginning in the early nineties, cooperatives were compelled to find ways to cope with some of the most dramatic changes that are reshaping the political and economic order of the world. Cooperatives discovered that the development environment can suddenly change; due to structural adjustments, new economic policies, coalition politics, redistribution of authority between the centre and the states, environmental pressures, the growing scarcity of basic resources and, a vastly increased human population.

Cooperatives found that multilateral aid and funding agencies had begun to increasingly influenced governments to adopt economic policies that promote liberalisation and globalisation as also measures that enable creation of free market enterprises. These pressures were further reinforced by the creation of the World Trade Organisation in 1995, ostensibly with the purpose of enabling free and fair trade across the globe. In short, cooperatives discovered that the new environment had emerged from an overpowering shift in the economic policies adopted by nation states across the world and to survive they have little option but to compete head on with other forms of business enterprise and successfully establish their rightful place in the market.

Cooperatives, especially those belonging to the developing countries, also discovered that the adversities of the new environment did not apply equally to all the players in the economy and cooperatives were unfortunately worse off in many crucial ways. Firstly, cooperatives found that they would henceforth have to develop themselves without the benefits of preferential treatment that were available to them earlier in a mixed or centrally planned economy. Secondly, cooperatives realized that they would have to acquire a new set of skills that are necessary to perform in a competitive market place. Thirdly, cooperatives discovered that consequent to nation states adopting free market economies, most of the changes in policies and laws mainly benefited large capital, whether domestic or foreign. Fourth, cooperatives found that while it is important to become proactive and learn new ways of adapting to change, the labyrinth of rules and controls that regulate them remain generally unchanged and would significantly obstruct them from re-engineering themselves.

In the debates on economic liberalisation it is pointed out that what often occurs in liberalizing episodes is not an effective reduction in state involvement. Rather, there is a change in the nature of state involvement, with different groups benefiting or being adversely affected. It is emphasized that the withdrawal of the state in economic terms is a chimera; most decontrol is consciously designed to retain the underlying influence of government. This may perhaps explain why cooperatives may not be easily rid of the four disadvantages that a liberalizing economy has conferred on them. These observations may also help explain why reform in cooperative legislation and policy to create a supportive environment to cooperatives does not get easily flagged as 'priority' in the national agenda of governments.

In the context of globalization, it is seen that multinationals and their alliances have enormous financial clout and the wherewithal to overcome laws that check monopolistic, restrictive and unfair tactics. Further more, with bases in all the main markets, multinational alliances have the political advantage of being a local firm everywhere. Therefore, in the days to

follow, there will be greater competition for the control of markets and resources. Such competition will essentially be between multinationals and financial markets on the one side and locally owned businesses as also grass roots cooperatives and their apexes that primarily serve local and national markets on the other. In other words, the new emerging environment is one where there will be a new struggle between the forces and institutions of economic globalisation on the one hand and local communities that are trying to retain control over their economic lives on the other.

This then is the new environment in which cooperatives – especially those belonging to the developing and least developed countries – would have to work in and succeed. And, it is this environment that cooperatives and their apex organizations would have to try and improve so as to better serve their goals and their members.

V. The Environment in Mongolia

Since this workshop is aimed at establishing a stakeholders dialogue on a supportive environment for cooperatives in Mongolia, it would be useful to undertake at this juncture a broad rapid review of Mongolia's polity and economy.

Under Mongolia's 1960 constitution, the supreme organ of state power was the People's Great Hural (Khural), a 430-member assembly that usually met twice a year. The Communist party, called the Mongolian People's Revolutionary Party (MPRP), was the sole legal party until 1990, when the constitution was amended to allow opposition parties, institute a presidential system of government, and add a 53-member standing legislature, the Small Hural. In January 1992 a new constitution was adopted. By this constitution, the legislative power of the republic resides in the 76-member Great Hural; the delegates of the Great Hural are chosen for four-year terms through direct, free elections. The president is head of state and is also elected to a four-year term. Voting is universal beginning at age 18.

The Supreme Court is Mongolia's highest court. Lower courts include the Ulaanbaatar City Court, 18 provincial courts, and local district courts. The assemblies at each political level elect members of the courts. Mongolia is divided into 18 provinces, which are subdivided into districts, and the city of Ulanbaatar. Local governments consist of hurals (assemblies) of representatives elected to four-year terms.

The Mongolians are primarily herders, and a majority of the population is engaged in agriculture. Animals raised include sheep, goats, cattle, horses, and camels. During the Communist era, collective farms and state farms controlled all cultivated lands and accounted for most of the nation's livestock. Many of these farms have since been privatized. Principal crops include wheat, potatoes, barley, and oats.

Crop farming and livestock breeding are reported to form the basis of Mongolia's economy. Manufacturing is devoted largely to the processing of agricultural and livestock products. During the Communist era, the government attempted to increase industrial and agricultural production through a series of five-year plans, first initiated in 1948. The state controlled all industry and trade, through either direct ownership or cooperatives. In the 1990s Mongolia began to transition from a planned socialist economy under Communism to a market

system under a democratic government. Economic reforms have included the transfer of some state-owned enterprises to private ownership. In 1997 the gross domestic product (GDP) was \$862 million, or about \$340 per capita. In 1999, Mongolia ranked 116 in Human Development and had a Human Development Index value of 0.569.

The cooperative legislation currently in force in Mongolia is reported to have been enacted in 1994/1995. The first section of Mongolia's cooperative law states that the purpose of the law is to determine the legal basis for the structure and activities of cooperatives. It provides for regulating the relations arising from the establishment, registration, termination of activities and membership of the cooperative as also supervision and enforcement of legislation. The second section states that legislation on cooperatives shall consist of the civil law, the present law and other laws and regulations, which are consistent with them. A preliminary reading of Mongolia's cooperative law indicates that it is significantly different from a cooperative law that may be based on considerations such as the ICIS, UN resolutions and ILO's recommendations on cooperatives.

From a limited search of the material available, both from the Internet and other secondary information, it is not possible to ascertain whether the Mongolian Government has enunciated a cooperative policy or whether the Mongolian Government has a public policy and whether such a public policy has a section devoted to cooperatives and cooperative development. Also, it is unclear whether there is a readily available database on the cooperative movement of Mongolia. However, since this workshop is being held to have a stakeholders dialogue on definitions, prerequisites and process of creation of a supportive environment it is presumed that substantial efforts need to be made in the promotion and development of cooperatives in Mongolia.

VI. The Role of Cooperatives and their Apexes in Improving their Environment

The need for a vision/mission

Any process of improvement has to begin with a study that presents a full and fair assessment of the current environment for cooperatives. This has to be followed by well-supported recommendations for a supportive environment for cooperatives. Having determined the position of what is and what ought to be, the next step would be to prepare a road map to successfully transit to the new position. The preparation of a road map is best done by developing a vision and launching a well defined mission to realize that vision.

A vision for cooperatives ought to be rooted in the view that cooperation represents the finest qualities of the people; honesty, democratic consensus, mutual concern, and self-reliance. The vision must dream of the day when state laws would allow women and men to cooperate – consistent with the ICIS, the UN resolutions and the ILO recommendations; when politicians shall realise that the power of the people can only strengthen their own power; and, when officials will learn that they must trust people to manage their own lives. Such a vision would call upon each person to demonstrably contribute to improving cooperation in every sphere of life. Also, it would call for each person to battle with courage and perseverance the threats to cooperation, wherever they may exist, and overcome that threat.

Networking and linkages

Cooperatives and their apexes have to reach out not just to other cooperatives but to organizations that may themselves not be structured in the cooperative form but are committed to the development of cooperatives. Such organizations are the natural allies of cooperatives. Therefore, cooperatives have to network with its allies – including funding institutions, academia and voluntary bodies – for four vital activities. (i) To give the study of cooperation the importance and the resources necessary to strengthen the movement; (ii) To develop the curricula and provide facilities to expand and improve the education of cooperators and cooperative employees; (iii) To utilize the resources, expertise and influence available with international non-governmental agencies such as the ICA and other agencies such as the UN and the ILO, and; (iv) To re-examine policies, conditionalities and related issues to evolve new and innovative ways of financial support -- with a view to discontinue traditional patterns of straight jacket government guarantees and similar conditions and thereby give rise to a set of new generation cooperatives.

The caveat to cooperatives in developing such linkages is that they should be careful to ensure that in the process they do not undermine the very principles of self reliance, mutuality and autonomy that are essential to genuine cooperation.

Demonstrate good economics

Cooperatives must recognize that self help is one of their fundamental values and they should play an ever increasing part in freeing their own institutions. They can do so in many ways. They can defy any and every attempt to meddle in their affairs and undermine their strength. They should amend their bye laws, where necessary, to bring them in conformity with the ICIS. They can invest the money, manpower, time, energy and creativity necessary to ensure their viability and build the quality of their service. And, finally, they must ensure through word and deed that their cooperative is worthy of the name, and, of their members confidence.

Make out a case for good politics

There is unlikely to be any change in the regulatory and policy environment for cooperatives without a forceful expression of political will. Cooperatives, particularly their apexes, must find legitimate ways and means to encourage all political parties, national and regional, to include a clear and considered statement of their policy towards cooperatives in their election manifestoes as also urge them to periodically review the environment for cooperatives with a view to call for suitable changes, whenever necessary. Advocacy for this kind of support must include political parties reaffirming their faith in, and commitment to the cooperative movement by giving prominence to liberation of this people's alternative, committing themselves to, if elected, political non-interference in cooperatives and generally recognizing the importance of the cooperative movement to the nation's economic development.

Adopt a multipronged approach

It is difficult to expect that cooperatives can improve their environment overnight. But what they can do is to keep attacking the issues from different sides and persistently at that. For example, considerable improvement could arise in the functioning of cooperatives through improvements in three distinct areas. They are; better governance, an enabling policy environment and superior organisational design. There are, however, limits to improvement in the cooperative if only one of the three areas is acted upon. If there are simultaneous efforts to bring about positive changes in all the three areas the resulting tremendous synergy will, in all likelihood, help cooperatives assume their rightful role in development. Therefore, apex organisations of cooperatives should work at improving the organisational design and governance of their members, even as they influence their government to undertake legal and policy reform that supports an enabling environment.

Specifically, cooperatives and their apexes could (a) Target cooperative leaders and managers for better governance and management for improvement in areas such as leadership, business strategies, efficiency, value addition, member education, HRD strategies, mobilizing and managing financial resources and evolving enlightened apex support structures. (b) Target governments to achieve enabling legal, administration and policy environment through reforms of cooperative laws, lowering the profile of the Registrar of cooperatives and the cooperative bureaucracy, ensure regular elections and initiate measures to insulate them from regional and local level politics and seek rationalization of other laws that impact cooperatives and,

Target members, cooperative entrepreneurs, government and apex support organisations on design factors such as identifying purposes which cooperatives and member organisations serve best, evolving design concepts for robust cooperative organisations, designing contractual relationships between members, employees and the cooperative, design different governance structures for different types and levels of cooperatives, design electoral systems and processes to ensure good governance and evolve flexible, constantly-adapting and self renewing procedures and structures that can operate as ‘learning systems’.

Professionalize to enhance credibility and use credibility to better the environment

Professionalization of cooperatives will help in two ways. It will make the cooperative better serve its members and help them earn better economic returns. It will also develop the capacity and the capability of the cooperative to better its environment. It is in this context that cooperatives must gain access to the best and latest management techniques, methodologies and strategies and understand how to apply them in the context their work and mission. In order to help cooperatives professionalize themselves, given below are six suggestions.

Firstly, cooperatives will need clarity of purpose. They will have to recognize that they exist not because a government department or agency promoted them but are in existence only to better serve the needs of their members as may be decided by them. It is clarity of purpose that will help in constantly keeping the cooperatives mission focussed, in building a unique organisational culture and in internalising the values and principles that will guide the

cooperative in all its work. Clarity of purpose will ensure that funds and other resources required by cooperatives are actually made available.

Secondly, cooperatives will have to deploy information technology, to both automate tasks and jobs and evolve integrated workflows that can contribute to establishing a knowledge management system within the organisation. Cooperatives that are unable to tap instantly into the wealth of knowledge that is available collectively within the organisation will be quite ineffective in realigning to the fast changing pace of the world in the new millennium.

Thirdly, cooperatives and particularly apexes will have to obtain up to date disaggregated data of their constituency and businesses. Often times, it is the lack of accurate and current data that leads to errors in judgement and projections of 'what is' and 'what ought to be'. Since efficient use of funds and resources is much more important in the new environment, it will be helpful if cooperatives can be correct the first time itself. It is here that accurate data and information technology enabled knowledge management systems would play a crucial role.

Fourthly, apexes will have to acquire expertise in advocacy. Advocacy expertise will include three specific abilities. (i) The ability to influence legislation in a manner that is harmonious to the mission and goals of the cooperative; (ii) The ability to access and seek the intervention of the judiciary whenever the cooperative believes that its work is being impeded by laws and processes that are inconsistent with its rights enshrined in the Constitution, and; (iii) The ability to influence the Government so that the legitimate interests of the cooperative are sufficiently protected in the new trade order under the World Trade Organisation.

Fifthly, the success of a cooperative in bettering its environment will depend upon its ability to attract and retain well qualified managers who subscribe to its value system. Cooperatives will have to recruit management professionals who are committed to the cause of cooperatives and would always strive to achieve the highest standards of quality. Equally important, such professionals should be chosen for their abilities to carry out successful education campaigns in the constituency of the cooperative and the apex.

Sixthly, cooperatives will have to organize training and retraining of their staff with the latest tools and techniques that will be necessary to deliver desired results. In this context, cooperatives will have to seek training with three distinct objectives: (i) The design, development and operationalisation of appropriate governance and management structures; (ii) The skills to build and develop relationships between the principal stake holders of the cooperative, its management and its clientele, and; (iii) The distribution of work and responsibilities between different levels within the cooperative and across different tiers in a manner that facilitates continuous learning.

Invest in media relations

The active and increasingly informed support of the print and electronic media is a major pillar of strength for creating and sustaining an enabling environment for cooperatives. Cooperatives would have to ask the media to continue to serve the cause of cooperatives and help sustain pressures on governments to liberalise cooperative legislation and adopt enabling

policies for cooperatives. In short, the media can play the role of a watchdog on behalf of the cooperatives as also play an equally important role in keeping a watch on the cooperative themselves on behalf of the members. The media can be an effective partner in the process of creating and sustaining an enabling environment by actively and objectively reporting all omissions and commissions of and about cooperatives.

VII. Conclusions

Any cooperative system is only as strong as its primaries. The strength of the primaries evolves from its individual membership. Efforts by cooperatives and their apexes to improve their environment can only be possible through a cyclical process. If cooperatives can better serve their members needs and aspirations, they automatically get enabled to improve their environment. A better environment in turn helps the apex as well as the cooperatives to improve the quality of services and returns to their individual members. This is the cycle of virtuosity that needs to be initiated.

The question remains as to where to begin? Should the processes of cooperative development await conditions that would be favourable or, should the processes be launched even in conditions of adversity -- well recognizing that those processes have within them the seeds of changing the environment to enable cooperatives develop and prosper. Both the options have merits as well as drawbacks.

On balance it could be said that it is easier to being change with oneself. In the case of cooperatives it is perhaps less difficult for them to initiate efforts at change rather than wait for the government to bring about a more conducive environment. Cooperatives and their apexes have to realise that they have clear purpose and role in serving those who seek their membership because of the tough and uncompromising conditions that liberalization and globalization have brought in their wake. So it is up to them to first show results and build their credibility so that they are able to better their environment.

And, in their efforts to improve their environment at different levels they should follow the principles of subsidiarity. If the local primary is able to improve its environment with its own resources and efforts then the secondary cooperative should let that happen. Similarly, the tertiary cooperative, or the national cooperative for that matter, should take up issues for advocacy only when it is abundantly clear that it is a function that does not lie within the role domain and capacities of the lower tier. This will ensure that the total resources available between the cooperatives and their apexes are utilized to improve their environment in an efficient and effective manner. ☐

Note: This document does not contain the listing of references or the executive summary.