

CO-OPERATIVES



MESSAGE FROM THE MINISTER

On the auspicious occasion of the 84th ICA International Co-operative Day and the 12th UN International Day of Co-operatives with the theme “Peace-Building through Co-operatives”, I am happy to convey to the great family of Co-operators and to all the stakeholders associated with the Co-operative Movement and to our fellow countrymen my conviction that Peace in our Motherland is being made a reality by **putting people first** and ensuring equality of rights and by working collectively towards sustainable development for the betterment of each and all. These mottos are indeed embedded in co-operative principles and values. They are equally cherished by all genuine co-operatives and co-operators. We have to pay tribute to all those who have, so far, in keeping with co-operative values, alleviated the sufferings and bettered the lives of thousands of planters, fishermen, breeders, consumers and others.

My Ministry and the Government do reckon with the contribution of the co-operative sector, and it is firmly believed that co-operatives have still a greater role to play in the socio-economic development of our country and in the betterment of the lives and standard of living of people.

Peace, the main theme of the International Co-operative Day, will be secured with the development of authentic co-operatives, which encourages open membership, democratic functioning, equality, brotherhood and zero discrimination.

The noble causes and excellent virtues of co-operatives have, however, unfortunately, in few cases, been clouded by dishonesty, malpractices and mismanagement, which have adversely impacted on the co-operative image.

Co-operatives have to be made more meaningful, more powerful and more convincing and for this we have to operate efficiently and provide a good quality of service.

In the present context, when our national economy has been stricken by three major shocks, we cannot afford to be complacent if we want co-operatives to be an important actor in taking up national challenges such as curbing unemployment, correcting balance of trade, agricultural diversification, democratizing the economy and building up a nation of entrepreneurs.

We have come up with amendments in the legislation and we are emphasising on managerial and institutional capacity building in the co-operative so as to have functional and financially sound co-operatives.

Towards this end, several initiatives and a series of actions have been earmarked by my Ministry:

- To provide a conducive legal framework we have brought several amendments to the Co-operative Law enacted last year.
- To stimulate creativity and innovation amongst our youngsters and unemployed so that they may create their own enterprises using the co-operative model. We are relying on the competencies of the newly constituted council of the National Institute for Co-operative Entrepreneurship (NICE). Mauritius badly needs an entrepreneurial culture and the mission of NICE is to ensure that this culture is inculcated in citizens through cooperatives. Co-operatives which is a viable model of development, as it enables those with limited resources to enjoy economies of scale and other benefits.
- A Steering Committee composed of representatives of the Enterprise Mauritius, the Independent Commission Against Corruption, L'Institut de la

Francophonie pour l'Entrepreneuriat, Management Audit Bureau, State Law Office and officers of my Ministry have come up with strategic recommendations after having thoroughly studied structural and other drawbacks in the co-operative consumer sector.

- With a view to ensuring institutional leadership and effective services to their affiliates, monthly meetings and consultations are being held with the apex body and secondary co-operative societies.
- To convey the message of self-help, mutual assistance, solidarity and affordable financial services practised by Co-operative Credit Unions (CCUs), a sensitisation and promotion campaign for CCUs are being conducted. Moreover, with a view to rekindling highly-desired saving habits in our children, special school saving schemes are being worked out.
- To guarantee best services to co-operatives, efforts have been doubled at the Ministry's level to clear all backlogs in auditing of accounts of societies. Furthermore, a comprehensive Code of Best Practices has been worked out for good governance, accountability and transparency in co-operative organisations. Moreover, with a view to standardising its services, the Co-operatives Division is implementing a Quality Management System leading to ISO certification of the Co-operative Division.

I am personally confident that we can best realise the potential of co-operatives by developing a bottom up approach and by establishing effective linkages between all stakeholders including the state and the private sector. This Newsletter will, henceforth, be an important forum for the development of a collaborative network.

I would, therefore, invite all persons concerned to effectively contribute towards the development of co-operatives, upgrading of standard of living of the population at large for a peaceful and prosperous Mauritius.

Hon. Dr. R. Jeetah
Minister

The Co-operatives (Amendment) Act 2006

Following consultations and a national seminar, amendments have been brought to overcome practical impediments identified as regards some issues pertaining to re-registration, supervision and management of co-operatives.

- **Section 9** - A society may be registered with limited or unlimited liability
- **Sections 41 and 74** - A society would now have three months instead of two after the closing of the financial year to submit its Final Accounts and Balance Sheet together with all relevant documents as well as statistical returns to the Registrar or to the Auditor for audit purposes and a society shall hold its Annual General Meeting by the end of February of each year instead of 31 December of each year
- **Section 43** - A society is no longer compelled to publish its notice of any General Meeting in three daily newspapers. The notice shall be displayed conspicuously at the registered office of the society. The rule of the society shall provide for the notice to be published in one or more newspapers or to be sent to the members by post
- **Section 46** - The Internal Controller shall not be a director of the Board
- **Section 66** - In addition to the auditor, the Registrar of Co-operative Societies also may certify the annual balance sheet as the case may be for a society to be able to effect payment of any bonus or dividend or distribute any part of any special reserve fund subject to the approval of the general meeting
- **Section 70** - Section 70 of the Co-operative Act 2005 has been repealed
- **Section 99** - The Registrar may appoint as a liquidator a person who holds or has held an office not below the level of Senior Co-operative Officer

- **Section 129** – Section 129A has been added to provide for the Registrar of Co-operative Societies to execute orders and awards in respect of investigation, inspection, arbitration and liquidation
- **Section 135** - Every society registered prior to the coming into operation of Co-operatives Act 2005 need not re-register itself. In accordance with the Co-operatives (Amendment) Act 2006, it shall be deemed to have been registered. However, the society shall, within 2 years, amend its rules to bring them in conformity with provisions of this Act

Registrar of Co-operative Societies Section

Challenges, Development Perspectives and Programmes of Co-operatives.

Challenges facing the co-operative movement are of both internal and external nature. The major challenges relate to:

- Attaining financial and functional autonomy
- The membership base of co-operatives and loyalty of affiliates
- Management capabilities and the need to adopt new management and accounting techniques
- Targeting business efficiency and effectiveness while adhering to their social objectives
- Capacity of co-operatives to penetrate new sectors
- Formation of co-operatives youth and combating the ageing problem
- Attracting and encouraging women to venture in co-operatives
- Formulation of appropriate Human Resource Development policies and programmes for co-operatives
- Forging strategic linkages and ventures with different partners
- Provision of technical and other assistance from friendly countries and donor agencies

To assist in overcoming these challenges a comprehensive co-operative development programme is being implemented in the coming years. Key elements of the programme are:

- Capacity building programmes for co-operative institutions
- Provision of consultancy services for national co-operative projects
- Business development supports and guidance to co-operatives
- Marketing principles and concepts of co-operatives
- Re-engineering the role and functions of co-operative federations
- Encouraging women and youngsters co-operatives and development of new models of co-operatives
- Encouraging co-operatives in new sectors
- Improving management and efficiency of co-operative through Information & Communication Technology
- Implementation of a Code of Best Practices for co-operatives
- Regrouping/ clustering of co-operatives on a regional basis

The programme targets sound, diversified and autonomous co-operative organizations operating for the upliftment of the standard of living of their members. Government will continue to act as an enabler and facilitator while motivating cooperators and cooperatives to become more active partners in the realization of the programme.

Understanding Cooperatives

- A cooperative is a business enterprise in which the elements of ownership, control and use of service are united in one group of persons
- The distinguishing feature of cooperative business is its dual nature as economic enterprise and social organization
- As business organizations, cooperatives are partly private, partly public, but essentially different from both private enterprise and public enterprise. They are a "middle way", an economic sector in their own right
- Cooperatives must play the role of a "Third Force", an alternative and countervailing power to both Big Business and Big Government

- To justify their existence and fulfill their purpose, cooperatives must make a significant and unique contribution to solving some of the massive problems facing mankind today
- A cooperative without a strong component of education is in danger of losing its essential character, that is, the human and personal characteristics which distinguish it as a cooperative

GENERAL GUIDELINES FOR SUCCESS OF YOUR CO-OPERATIVE

- Create a comprehensive business plan
- Establish a realistic marketing strategy
- Set realistic goals and assumptions
- Keep your focus
- Identify and minimize risks
- Build strong member leadership and commitment
- Follow sound business practices
- Base decisions on market research and members' need rather than opinions
- Keep members informed and involved
- Conduct businesslike meetings
- Raise sufficient capital
- Forge links with other co-operatives and business partners
- Invest in members, boards, and staff education
- Hire competent management

"A harmonious relationship between a committed membership and a farsighted board of directors and a competent management is the right recipe for success."

TIPS IN FINANCING YOUR CO-OPERATIVE SOCIETY

Main Sources of Equity Capital in Co-operatives

One of the guiding principles in cooperatives is the “user-owner” principle, which suggests that for the proper and democratic running of the business, shares are issued to members and no member is allowed to hold more than 30% of the total issued shares.

It should be recalled that “control follows ownership”. Members must, therefore, provide risk capital if they are to control their cooperatives.

If members of a cooperative are unable to generate sufficient funds to cover the required assets, other sources of finance are considered. Finance having a specific repayment period and an enforceable interest is termed as “debt capital” or “borrowed finance”.

Grants and donations, which will not encroach on the functioning and autonomy of your cooperative may also be given due consideration.

Borrowed finance will usually have a cost, which will eventually affect the liquidity (cash outflow) of your business. Amount to be borrowed and institution from where debt capital may be tapped must be carefully studied.

According to General Business Principles, a sufficient level of capital is crucial to successful and long-term operation of your cooperative. A reasonable debt to equity ratio must also be observed.

The higher the ratio, the higher will be creditors’ claims on the assets of your society.

It is advisable to explore all sources of equity before resorting to debt capital.

Your co-operative may obtain equity capital from the following main sources:

Equity Capital from Direct Investment

A co-operative usually has a membership fee and a minimum share capital. Co-operatives having substantial up-front investments may require members to invest in proportion to the amount they will use in the co-operative.

Equity Capital from Retained Patronage

This is a common mean of obtaining equity capital. A portion of the net savings (profits) from member patronage may be retained at the end of each year.

Equity Capital from Per-Unit Capital Retains

This is a method, which is most applicable to marketing co-operatives where a small reduction (percentage or absolute sum) in the selling price is made per unit of product marketed through the co-operative.

Net Profits from Non-Member Business as Equity Capital

Profits obtained from transactions with non-members may be retained as equity capital.

Equity Capital from Sale of Preferential Shares

Co-operatives may increase equity by selling to members (and/or non-member) preferential shares.

After exhausting all sources of equity capital, you may have to resort to a prudently calculated amount of debt capital. For debt capital, a co-operative would usually have recourse to financial institutions such as commercial banks, specialized banks and leasing companies, which provide a gamut of schemes to their clients.

Greater professionalism and best management practices to the co-operative sector are vital ingredients for success.

“A cooperative is a business enterprise in which the elements of ownership, control and use of service are united in one group of persons”.

Co-operative Development Unit

Women and Co-operatives

Co-operatives, as democratic, member-run and member-financed self-help enterprises have a great potential contributing towards the improvement of the economic and social conditions of women and the promotion of gender equity.

Co-operatives have a key role to play, as they are able to respond to both women's practical and strategic needs by providing to income-generating activities. Women organized in co-operatives can have access to several advantages - credit, savings, and investment, buy inputs and sell goods and services produced by them. Co-operatives can help in strengthening women's economic capacity and establishing commercial networks for them in a more responsible way. Women can use the co-operative movement as a tool for gaining greater power and co-operatives may create work opportunities for women.

With flexible structures and principles of equality and democracy, co-operatives offer women a working environment tailored specifically to their needs, which other forms of business often do not.

Co-operatives also encourage a supportive environment rather than a competitive one where members help each other and work together in a team spirit.

We have so far been successful in organizing a few co-operatives societies which are exclusively run by women, where the latter have proved their capability to manage small enterprises and generate revenue. These types of societies will be further encouraged through the setting up of a women co-operative federation.

Encouraging women in co-operatives would certainly have a multiplier effect in the way of living of Mauritius in the long run. It is well-known that educating a woman means educating a whole nation. The principles of co-operatives used by women in co-operatives will follow by inculcating the culture of co-operatives in children and ultimately the population at large.

Co-operative Development Unit

MEANING OF THE RAINBOW FLAG OF CO-OPERATIVES

The Rainbow Flag is the international emblem of co-operatives. It was adopted as the official co-operative symbol by leaders in the International Co-operative Alliance in 1925.

The Rainbow Flag includes all the colours of the flags of the world. Each colour contributes to the whole and symbolizes harmony and universal unity of all people.

Each of the seven colours in the flag has a special significance:

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| Red | - | represents the courage to stand together |
| Orange | - | represents hope and offers the vision of possibilities. |
| Yellow | - | represents warmth, friendship and concern for others.
It also represents the challenge that green has kindled. |
| Green | - | indicates a challenge to strive growth in co-operatives and individual members as we learn more about ourselves and others. |
| Sky blue | - | represents unlimited horizons and possibilities and the need to provide education and help the less fortunate. It also represents unity with all people of the world. |
| Dark Blue | - | represents hard work and perseverance – the challenge of working together to achieve our goals of harmony, equality and economic efficiency. It also represents the |

less fortunate who can learn to help themselves through co-operation.

Violet - represents warmth, beauty, friendship and respect for others.

Source: Internet

MAIN TYPES AND PURPOSES OF CO-OPERATIVES

- **Consumer Co-operatives**
To provide products and services for their members
- **Purchasing Co-operatives**
To purchase products and services in bulk to reduce or to share costs
- **Marketing Co-operatives**
To build markets for members' products and services, improve member bargaining power, facilitate delivery of product to market, and improve product quality
- **Value-added Processing Co-operatives**
To add value to members' products and to increase members' share of retail mark-ups
- **Worker Co-operatives**

To provide jobs for their members
- **Co-operative Credit Unions**

To provide savings, loans and other financial facilities to members

STATISTICAL INFORMATION ON THE CO-OPERATIVE MOVEMENT WORLDWIDE

The Co-operative Movement brings together over **800 million people** around the world. It is estimated that the livelihood of nearly **3 billion people**, or half of the world's population, is made secure by co-operative enterprises. These enterprises continue to play significant economic and social roles in their communities. Below are some facts about the Co-operative Movement that demonstrate its relevance and contribution to economic and social development:

- In Argentina, there are over 17,941 co-operative societies with 9.1 million members
- In Belgium, there were 29,933 co-operative societies in 2001
- In Canada, 1 in 3 individuals (33%) is a member of a co-operative; the Desjardins co-operative movement in Québec has over 5 million members
- Colombia and Costa Rica count over 10% of their respective population as members of co-operatives
- In Finland, S-Group has a membership of 1,468,572 individuals which represents 62% of Finnish households (Source: SOK Corporation Annual Report 2004)
- In Japan, 1 out of every 3 families is a member of a co-operative
- In Kenya, 1 in 5 is a member of a co-operative or 5.9 million and 20 million Kenyans directly or indirectly derive their livelihood from the Co-operative Movement
- In India, over 239 million people are members of co-operatives
- In Malaysia, 5.4 million people are members of co-operatives
- In Singapore, 32% of the population (1.4 million people) are members of co-operatives
- In the United States, 4 in 10 individuals (25%) is a member of a co-operative

Quotations and Sayings

- Besides co-operative values, in the new emerging environment, co-operatives are called to be equally essential efficient enterprises and compete effectively to retain members' loyalty and confidence.
- We have to share a broad and long-term perspective on the good society, good governance and human development, along with a sense of what is needed for such development.