

**THE GOVERNMENT**

**OF GUYANA**

**CO-OPERATIVE**

**POLICY**

## Introduction

The importance of our co-operative experience is difficult to unravel. This is largely because of the experiment with co-operative socialism which officially began with the declaration of a Co-operative Republic in 1970. Most people agree, that experiment was a failure but they do not necessarily blame co-operation. Co-operation continues to operate successfully in many countries, among rich and poor alike, and therefore it would appear that it was the attempt to foist socio-political objectives on the movement that is to be blamed for its present state.

The PPP/Civic accepted this view for although it berated co-operative socialism as a failure, its 1992 Manifesto stated:

“The Co-operative has an important, complementary role to play in the development of our economy, particularly in the agriculture sector. Co-operative ownership has many advantages in particular circumstances which cannot be found in any other form of ownership. The Government will therefore encourage co-operative ownership where it will be in the interest of producers, consumers and country as a whole”.

Over the past two years we have attempted to put together a direction upon which we could have some general agreement. After many consultations and discussions, this document contains a framework which we hope will take co-operation successfully into the future.

It is founded in the belief that, as elsewhere, if co-operation in Guyana is to thrive it will have to be grounded in the fundamental needs of its members, autonomy, and sound business principles.

## The Principles and Importance of Co-operation

This national policy re-affirms our commitment to the following internationally recognised principles of co-operation:

- Membership is voluntary and open to every person who meets the requirements laid down in legislation and the co-operative by-laws. No gender, racial, cultural, political or religious discrimination is acceptable.
  - In primary co-operatives every member has one vote irrespective of the number of shares he/she has. Elected representatives are accountable to the general membership. Co-operatives at a higher level are also organised in a democratic manner. Services are rendered mainly to members. The level of dividend is decided by the general membership. In general, it should be at a level consistent with current market operations. The surplus, or the economic results, arising out of the operation, belongs to the members and should be distributed in such a manner as would avoid one member gaining at the expense of others. This may be done by:
    - (i) Catering for the expansion of the co-operative;
    - (ii) The provision of common services;
    - (iii) The distribution of surplus among members in proportion to their transactions with the co-operative;
    - (iv) Supporting activities approved by the membership.
- Co-operatives are autonomous organisations controlled by their members. If they enter into agreements with other organisations including government, or raise capital from external sources, they do so,

in the context of democracy and co-operative autonomy.

Education and training opportunities are offered by co-operatives to their members, elected representatives and employees with a view to increasing their skills so that they can contribute effectively to the development of the society.

Co-operatives work closely together with other co-operatives to strengthen the movement by local, national, regional and international collaboration.

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Succeeding administrations have recognised that co-operatives can play an important role. This results from the fact that:

- Though not necessarily, co-operatives in poor countries usually consist of persons of poor and modest circumstances (including women, young people, etc), who, by pooling their resources together, can expand their opportunities.
- Co-operatives can increase the incomes of its members by way of cost efficiencies.
- Co-operatives can mobilise the financial resources of persons not catered for by the traditional sector. This is particularly evident in the relationship between traditional banking and saving societies.
- Co-operatives can be of benefit in the wider context of rural development. Helping to minimise the flow of people from rural to urban communities by providing a relatively simple and equitable mechanism through which rural societies can mobilise and develop resources for the collective good.

- As stated above, co-operatives teach their members the value of democracy and involve them in ongoing education and training. As a result they can contribute to the proliferation of entrepreneurial, managerial and technical skills which are extremely useful to the process of modernisation.

## The Co-operative Movement In Brief

### **History**

Guyana's long and chequered history is characterised by a strong co-operative tradition. Our Amerindian citizens lived and worked collectively to master the harsh environment and develop their villages. The ex-slaves got together, pooled their meagre resources and purchased abandoned sugar estates, giving rise to what become known as the village movement and to the growth of the peasantry. The idea of the "box hand" as a means of providing cheap and readily available financial relief also emerged during this period. To this day, particularly in the rural areas, co-operative efforts in agriculture and domestic construction are still evident.

By the end of the nineteenth century a few friendly societies had already emerged and later organisations such as the British Guiana East Indian Association, the Negro Progress Convention and the League of Coloured People encouraged and assisted people to combine as groups in order to achieve economic and social progress. Our earliest labour organisations, in particular the British Guiana Labour Union, also supported co-operative efforts.

In 1938/39, as a consequence of the recommendations of the Royal West Indian Commission (Moyne Commission) which investigated the depressed social and economic conditions in its West Indian colonies, the British government passed the Colonial Development and Welfare Act. This Act provided for the establishment of Social Welfare Departments in the colonies. In 1945, Mr G.C.L Gordon was appointed as co-operative organiser within this Department in British Guiana and the promotional and propaganda work which resulted led to the formation of reading and buying clubs, savings unions and housing groups.

In March 1946 the Secretary of State for the colonies sent a memorandum to all colonial administrators urging them to appoint a Registrar of Co-operative Societies and put in place the necessary legal framework to facilitate co-operative development. Co-operatives were now seen as a means of Improving the living standards of the masses. On May 8, 1948, the Co-operatives Societies Ordinance was enacted and an independent Co-operative Department was established with Captain W.J. Gheesman as the first Registrar of co-operative societies.

By 1949 there were 48 registered primary co-operatives which included savings, thrift, credit, consumers and producers societies. In the same year the British Guiana Co-operative Union Limited, was registered as a secondary society with the aim of: providing audit and supervision; directing the policy of the co-operative movement; informing the general public about co-operative work; educating members and training employees of the societies. In October, 1949 the co-operative union published the first issue of its quarterly magazine, 'THE CO-OPERATOR', highlighting various aspects of co-operation both at home and abroad. In 1951 three school co-operative societies pilot projects were launched and later proved successful.

In 1954 the British Guyana Credit Corporation began to target rural thrift and credit co-operative societies and this boost led to more lands being employed and a greater use made of machinery in the rice industry. In the 1950s and 1960s government also showed a distinct preference to lease lands to co-operative societies instead of individuals and, as a result, there emerged a number of land co-operatives. In 1957 the credit union organised an umbrella body: the British Guiana Credit Union League. In 1966 the Guyana Co-operative Credit Society (G.C.C.S.) was formed with the aims of providing loans to co-operatives.

At the end of 1964 there existed a total of 567 registered societies with a membership of 42,551 and \$2,390,197.00 saving. Thus by the early 1960s it was clear that the co-operative movement was making steady if not spectacular progress.

In 1970 Guyana was declared a Co-operative Republic and co-operatives were identified as the vehicles for the development of the country's resources; for making the 'small man' the 'real man' and for achieving the 'universal objective of socialism'.

Many nominal co-operative institutions were established: the Guyana National Co-operative Bank, Guyana Co-operative Development Mortgage Finance Bank, the Guyana Agriculture Co-operative Bank, the Guyana Co-operative Wholesale Society and Kuru Kuru Co-operative College.

In the post 1970 period there was also a rapid numerical expansion of the co-operative movement. In 1970 there were 976 registered co-operatives with a total membership of 76,436 and share capital, deposit and saving of \$6.5 million. Four years later the number of registered societies climbed to 1,307 with a membership of 110,000 and share contributions of approximately \$12 million. A full-fledged Ministry of Co-operatives and Manpower was created to give credence to the stated importance of co-operatives. Unfortunately, while on the surface it appeared that the co-operative movement was making tremendous strides this was far from the truth.

There were some notable successes; the Greater Georgetown, Upper Corentyne and Rosignol Fishermen co-operatives, the Police Co-operative Credit Union and Consumers Co-operative Societies, the Public Service Credit Union, and Guyana Defence Force Credit Unions and a few others. However taken as a whole the attempt at co-operative socialism was a failure and the vast majority of presently registered societies are defunct. The movement become plagued by corruption, oligarchic management, poor legal and supervisory mechanism and over politicisation.

While the present Government accepts that the co-operatives have a role to play it believes that they need to be organised as independent bodies capable of meeting the challenges of the 21st century.

## **Present Structure**

The co-operative movement is presently made up of primary and secondary societies and an apex organisation, the Guyana National Co-operative Union. Institutions such as the GNCCB are not true co-operative institutions: the government held the vast majority of shares in all of them and the KKCC is now being utilised by the Guyana National Service as a technical and vocational training centre for young people.

### **Primary Societies**

Proper statistics do not exist but the latest estimate is that there are now some 1,250 registered societies, 50% of which are defunct or decrepit. Most of these societies are located in Regions 2, 3, 4, 5, 6,10 and the vast majority are school thrift societies.

### **Secondary Societies**

Over the years the Primary Societies formed secondary societies which included regional and district unions, of the six regional unions and three district unions only two regional unions and one district union are still alive. There is also the Guyana Co-operative Credit Society Ltd. (GCCS). Over the years this societies acted as a central depository for surplus funds of members while at the same time providing short term loans at low interest rates to its affiliates. This society is presently undergoing financial constraint.

### Federations

Basically, federations are unions of co-operatives of the same type. The West Demerara Fishermen's Federation, the West Demerara Consumers Federation and the Guyana Co-operative Credit Union League Ltd., (GCCUL) are three such societies. The GCCUL has a total of 28 affiliates.

### The Guyana National Co-operative Union

The Guyana National Co-operative Union (GNCU) is the apex body of the Co-operative Movement. Primary societies are expected to finance the operations of the apex organisation by way of annual contributions but the under developed state of the primary societies makes this impossible. However, even the few associates, who can afford to, do not make their contributions. The GNCU receives an annual government subvention but this sum has always been inadequate.

## **Role Of The State**

Co-operatives are a feature of the post-independence development strategies of many third world countries. With the emergence of the Co-operative Republican status in 1970 increased emphasis was placed on co-operatives as a means of achieving social, economic and political goals.

As stated above, this effort ended in failure largely because:

- Co-operatives became more or less instruments of the state and as a result, members lost interest in their organisations.
- Co-operatives became increasingly dependent on direct or indirect subsidies and this was not viable in the long run.
- In some instance co-operatives were formed without adequate thought as to their prospect.
- The state's control over large areas of the economy adversely affected some co-operatives.
- Most co-operatives also experienced oligarchic control which encouraged internal divisiveness, mismanagement and corruption.

This National Co-operative development policy seeks to create an operational framework which will allow co-operatives to effectively contribute to the socio-economic growth and development of our country.

- It recognises that the co-operative is a private sector option. The co-operative is not an instrument of the state. It should operate according to sound business principles and should grow and develop without undue interference from the state and other external agencies.
- The Government will treat co-operatives on no less favourable basis than other forms of enterprises. Recognising that the main aim of co-operation is not the maximisation of profit but service to members, government will retain, and where necessarily enhance, such benefits as their essential democratic character warrants. For example, tax concessions on materials and equipments which are collectively purchased and used by low income groups.
- This policy is conscious of the diversity of co-operation. Where applicable, it encourages, this diversity. For example, co-operatives could provide a network of democratic financial institutions through which various agencies could more efficaciously reach the poor. They are also most appropriate for the pooling of resources and the development of micro enterprises among disadvantaged groups. The state will encourage vertical and horizontal co-operation among co-operators at the national and international levels.
- This Policy also recognises the duty of government to encourage other social organisations to support the co-operative movement. For its part, bearing in mind the need for co-

operative independence, government will offer such support to co-operatives as is deemed necessary from time to time.

Government will actively support the inclusion of co-operation in all management curriculum in Guyana and will encourage umbrella private sector organisation to view co-operatives as a useful (be it a more democratic) part of the private sector.

For a transition period governments will ensure that such action that is take is consistent with the aims of this policy. It is prepared to provide funding for an arrangement (a restructured National co-operative Union) which will propagate the values of co-operation, help to train perspective co-operative members and workers in the intricacies of co-operative management and control and aid the restructuring of the movement.

A new co-operative law, which is already being formulated, will be instituted. It will establish a regulatory framework which will ensure that co-operatives operate according to sound modern business practices.

## The Department Of Co-operatives

The Department of Co-operatives is presently within the Ministry of Labour, Human Services and Social Security. The Department has the responsibility of guiding the co-operative movement and monitoring and regulating the operations of co-operatives in accordance with existing statutes. The Division is usually administered by the Chief Co-operative Officer/Registrar of Co-operatives and over the years there has been much complaints about the draconian powers of this officer. According to the present rules, she appears able to frustrate any co-operative action. While this may have been necessary in the past it is unacceptable in todays environment of individual action and responsibility.

Nonetheless, it is recognised that some arrangement must be put in place to offer co-operators a level of protection consistent with the autonomy we seek. The Department will also have a critical role to play in the transition period to ensure the emergence of a vibrant co-operative movement. The department will be restructured to:

- Review and keep up to date changes to co-operatives theory and practice and advising the government on same.
- Review and keep up to date the legal framework within which co-operatives operate.
- Process the registration and cancellation of co-operatives and friendly societies in accordance with the new co-operative law.

Check audit reports and publish an annual report on the state of the co-operative movement.

- Facilitate the collection and collating of data and information on co-operative development.
- Do all such things as would facilitate a smooth transition.

## Legislation

In order to meet the challenges that are associated with our new socio-economic environment the revision of the Co-operative Societies Act is currently underway. The new Co-operative Societies Act will:

- Reaffirmation a respect for internationally recognised co-operative principles.
- Severely restrict the current powers of the chief co-operative officer/Rigistrar.
- Increase the power of the annual general meeting to discipline officers, workers and members of societies.
- Provide for the systematic registration and deregistration of co-operatives within specified time frame if the regulations are breached.
- Provide for administration and internal and external audit.
- Provide for the establishment of an Advisory Board to advise the Minister on all aspects of co-operative development.
- To minimise long and costly court proceedings, provide for a Co-operative Tribunal to investigate and make ruling relating to disputes within the co-operative movement.
- Remove provisions which have the effect of restricting co-operative development. For example, removing statutorily given interest rates and divisional payments.

## **Co-operative Advisory Board And Co-operative Tribunal**

A 'Co-operative Advisory Board' will be established. Its primary objective is to advise the Government on ministerial policy matters and strategies relating to co-operatives. It will also ensure that there is a healthy and frequent dialogue between Government and the co-operative movement. It is felt that the Advisory Board should comprise of five members: two appointed by the most representative organisation of the co-operatives, and three including the chairman, by the Minister, in consultation with other related groups. The term of office of the Board will be two years. The constituents will have the right to recall its representatives for unsatisfactory performance.

The new co-operative law presently under discussion will establish a 'Co-operative Tribunal'. It will have specific responsibility to settle disputes among co-operators and co-operatives and such members of the general public that agree to its intervention. The Tribunal will consist of chairman who will be a person of significant legal experience and two other members appointed by the minister responsible for co-operatives after consultation with co-operators and other interests. The Tribunal will only act where, if an apex organisation exists, it is incapable of solving the dispute. Appeals to the established legal system will be allowed.

## Transition Period

A transitional period, which will allow co-operatives to arrive at the projected state, is already in place. It is envisaged that 5 years are adequate for the movement and its associated organisations to adopt innovative strategies which will allow it, not merely to survive but, to play a more meaningful role in society. In this transitional period, the Co-operatives Department and other relevant government agencies will have to take on board the broad objectives of this policy and work tirelessly towards them. As stated above, government will do all it possibly can to facilitate the dynamic growth and development of the movement.

In this period the government, through the Co-operate Department, will conclude a diagnostic study of the co-operative movement. This study will provide the raw material which will guide our attempt at restructuring and resource allocations. Essentially, the co-operative movement will be restructured around the core of financially viable societies which now exist. Such expansion as does take place will result from the wishes and capacity of this core, coupled to a national contribution.

## Action Matrix

| Major:<br>Action   | 1997 | 1998 | Responsible Agencies                 |
|--|------|------|--------------------------------------|
|  |      |      |                                      |
| 1. Co-operative<br>- Advisory Board<br>- Co-operative Tribunal |      |      | Ministry of Labour                   |
| 2. Co-operative law<br>Department                              |      |      | Co-operative                         |
| 3. Restructure Co-op<br>Department                             |      |      | Ministry of Labour                   |
| 4. Restructure National<br>Co-operative Union                  |      |      | Co-op Department -<br>National Union |
| 5. Introduce Co-operation<br>in School Curriculum              |      |      | Ministry of Labour                   |
| 6. Diagnostic of<br>Co-op movement                             |      |      | Co-op Department                     |