

COOPERATIVE

Fresh Ideas & New Momentum



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Renewing, developing, and enhancing cooperative sector for future success

Over the past years, cooperatives have been playing an important role in socioeconomic development, following the directions of the Law on Cooperatives issued in 2012. Deputy Prime Minister **Vuong Dinh Hue**, member of the Politburo and head of the country's Steering Committee for Innovation and Development of Collective Economy and Cooperatives, delved into the necessity to review the law after five years of implementation in order to create a more business-friendly climate.

THE NEW COOPERATIVE MODEL'S NATURE

After five years of implementation of the Law on Cooperatives, the cooperative sector, with the kernel being cooperatives, has seen positive changes, with many new models appearing. Many localities have paid heed and took the initiative in facilitating cooperatives to develop.

Resolution No.13/NQ-TW of the Fifth Plenary Session of the 11th Communist Party Central Committee on the continuation of the renovation, development, and enhancement of the effectiveness of the cooperative sector specified, "The state economic sector, along with the cooperative sector, has increasingly become a solid foundation of the national economy." However, the collective economic sector has yet to develop to its full potential, currently contributing only less than 5 per cent of the GDP and flying below the set targets.

We have also set the goal that by 2020, there will be at least 15,000 modern cooperatives operating effectively in the agricultural sector. It must be noted, however, that the development of new cooperatives is not pri-



marily a quantitative target, as focus is on effective operations.

That is why the government advocates the five-year review of the implementation of the Law on Cooperatives in order to see how effectively it has been put in practice, and what difficulties have arisen, so that proper solutions can be taken.

Despite these past five years, several stakeholders do not fully understand the regulations outlined in legal documents regarding cooperatives, leading to occasional mistaken implementation of the law.

The government has also enacted many preferential policies and mechanisms, but they have yet to benefit cooperatives to a large extent due to limited resources. Implementation has also faced numerous difficulties because of the lack of staff in charge of issues related to the cooperative sector.

Besides, awareness of the sector and cooperatives remains limited at the authorities in a number of localities, while the internal strength of cooperatives is still low in general.

Thus, in the time to come, it is necessary to boost activities pertaining to communications and raising awareness in the whole political system, among cadres and Party members, as well as people of all walks of life, about the position and role of the new cooperative model.

The nature of the Law on Cooperatives 2012 is to develop a new cooperative model. Thus, during communication, it is necessary to specify the outstanding points of these cooperatives in comparison with old-fashioned ones.

In the old-fashioned cooperatives, relationships were only ensured between coop-

eratives and their members without the household-based economy element. However, the cornerstone of the new model is the partnership built around the household-based economy. In other words, this model is aimed to serve the household-based economy and enhance its value.

Modern cooperatives' development is based on the partnership among households. It does not belittle the role of the household-based economy, but helps to develop it. This is the pivotal issue. Thus, when we assess the effectiveness of cooperatives, we should not look at figures of capital volume and profit, but at how farmers' households have been enriched.

Cooperatives are not businesses, and we must clearly understand their nature so that we can do well. The operational effectiveness of cooperatives means that when they develop well, they will accordingly improve the life of farmers and rural areas. This is the solution of all solutions.

If we can understand this, we can solve all obstacles in the implementation of the Law on Cooperatives. We need to focus on dealing with cooperatives that have yet to transform themselves and have stopped operating in order to facilitate modern cooperatives to develop and operate well.

COOPERATIVE SECTOR IN CONTEXT OF AGRICULTURAL RESTRUCTURING

At present, while about 65 per cent of the country's population are living in rural areas, and 42 per cent of labourers are working in the agro-forestry-fishery sector, agricultural and rural development remains a big priority for the Party and the gov-

ernment.

Over the past years, the Vietnamese agricultural sector has hit numerous important achievements, which have lifted the country from an impoverished nation short of food for its populace to a major global exporter of agricultural products, with the total export turnover in 2018 hitting more than \$40 billion, and with national food security well ensured.

However, agricultural and rural development has posed a raft of challenges which need to be addressed, such as the weak competitiveness of domestic agricultural products, issues about food safety and hygiene, low agricultural labour productivity, and the rate of processed products remaining low, making it difficult to quickly raise the agricultural sector's added value.

In addition, the agricultural sector's development remains unsustainable, with a lack of quantitative and qualitative links. Price fluctuations and market volatility have been posing increasing risks to producers and investors, making it difficult to attract investment into the sector.

In order to boost agricultural and rural development, two big programmes of the Party and the government, namely the National Target Programme for New Rural Development and the Programme on Agricultural Restructuring, have been actively implemented, with many good results and receiving great applause from the people.

However, to reach these programmes' ultimate target of improving the incomes and the material and spiritual health of the people, and boosting sustainable development, the cooperative sector is essential.

In agricultural restructuring, in addition to issues regarding orientations for regional development based on comparative advantages, improvement of post-harvest technology, and development of the processing industry, one of the important tasks is to re-organise agricultural production under value chains and creating links between production, processing, and consumption. Cooperatives play an important role in this.

As production is currently of small scale, farmers find it hard to co-operate well with enterprises. Meanwhile, enterprises, especially big ones, cannot connect with each farmer household, and they can only do this via co-operating with cooperatives.

On one hand, only by renewing this co-operation can cooperatives successfully create a production-processing-consumption value chain with good governance, improvements in quality and added value production, and ensured food safety and hygiene.

On the other hand, only by joining this link can cooperatives improve their operational effectiveness and reach sustainable development.

TASKS AHEAD

To implement the Law on Cooperatives 2012 and improve the effectiveness of the programmes on agricultural restructuring, a number of tasks must be performed.

First, it is necessary to further boost activities about communications and raising awareness across the entire political system, cadres, and the people, as mentioned earlier, about the position and role of modern coop-





One necessary task is to organise agricultural production into value chains, creating linkages between production, processing, and consumption

eratives. This task must be implemented frequently at all levels and in various forms. Great importance must be attached to developing effective models and fostering production-processing-consumption links in order to generate more employment and incomes for cooperatives' members.

Second, it is necessary to raise the involvement and responsibility of authorities at all levels. During the implementation of the law at many cities and provinces, a great deal of experience and lessons have been collected, but most importantly, the areas where authorities professed the initiative to implement the law and exerted efforts were the ones where the cooperative sector and cooperatives developed most strongly. Thus, authorities must take the initiative in supporting this development.

Third, it is necessary to accelerate the fine-tuning of institutions and policies to support the development of cooperatives. At the same time, ministries, agencies, and localities must effectively

materialise existing policies and enact suitable new policies to facilitate the development of cooperatives.

Obstructions related to land, capital, asset transformation, and insurance must be removed for cooperatives to develop. Mechanisms, policies, and documents guiding the implementation of the Law on Cooperatives must continue being improved, with the credit packages for high-tech agricultural development being deployed soon.

Fourth, training and capacity improvement programmes must be boosted for cooperatives members and managers. The biggest limitation of cooperatives lies in managers. They, after years of lacking training, have grown older and are doing their job based on experience without sufficient knowledge and economic management skills. Thus, they cannot develop effective business plans.

In the time to come, more training must be provided for cooperatives in terms of governance, techniques, and production discipline. Besides, mechanisms must be

created to attract skilled managers into cooperatives and to support farmers to buy agricultural insurance via cooperatives.

Fifth, it is necessary to fully implement re-registration under the Law on Cooperatives for about 10 per cent of the cooperatives that have yet to register their operations. Any cooperatives performing poorly must be disbanded or shifted to another, more suitable model. The government will review, consider, and address the debts of cooperatives, and take many other measures to restructure the cooperative sector.

Lastly, in the time to come, the Steering Committee for Renovation and Development of the Collective Economy and Cooperatives will seek solutions to further boost the development of cooperatives so that they can make bigger contributions to the country's agricultural restructuring and socioeconomic development. This is also aimed to reach the National Assembly's goal that by 2020, there will be at least 15,000 modern cooperatives operating effectively in the agricultural sector.

SPECIAL THANKS



German Cooperative and
Raiffeisen Confederation



SAIGON CO.OP



Over the past decades, cooperatives have been making great contributions to the country's socioeconomic development. Minister of Planning and Investment **Nguyen Chi Dung** told *VIR* that the Law on Cooperatives issued in 2012 has made a big breakthrough in the mindset to boost the development of a new cooperative model suited for the market economy. However, much remains to be done so that the cooperative sector, with cooperatives being the kernel, can contribute more to the national socioeconomic development.

What is your take on the cooperative sector in Vietnam? What changes have you noticed since the Law on Cooperatives 2012 took effect on July 1, 2013?

The law has created a big breakthrough in the mindset for the development of a new cooperative model in the market economy, allowing it to gradually develop.

As of late 2018, Vietnam had 22,456 cooperatives, up 1,468 from 2017, involving about 6.95 million members. Besides, there were also 74 cooperative unions. Not only increasing in quantity, many model cooperatives have been established with good performance. They have enjoyed an increase in both revenue and income, ensuring the livelihood of their members.

More importantly, the development of cooperatives has had a positive impact on the country's household-based economic sector, greatly contributing to the alleviation of hunger and the reduction of poverty, as well as agricultural and rural development.

The government set the target of having 15,000 modern cooperatives by 2020. Does this mean the country has achieved the target two years earlier than expected?

Vietnam needs to ride on momentum of innovation



I did say there are 22,456 cooperatives, but only 13,856 of these are engaged in agricultural production. Thus, the target for agricultural cooperatives has yet to be hit, and more efforts are needed to continue the transformation and the establishment of modern agricultural cooperatives. In fact, the goal we set in the National Assembly's Resolution No.24/2016/QH14 was to have 15,000 modern agricultural cooperatives that are *operating effectively*. This means that we have to pay more attention to operational quality.

Over the past years, there has been a rising number of cooperatives applying new scientific and technological achievements and engaging in high-tech agriculture. Especially, agricultural cooperatives have been linking their activities with the production of key products and forging supply chains.

Many cooperatives have also been cooperating with supermarkets and big enterprises to expand their output markets, contributing to improving product quality and competitiveness. A number of cooperatives have also taken the initiative to study and expand markets both at home and abroad.

I was also deeply impressed by some large-scale cooperatives operating across numerous localities, making millions of US dollars each year,

such as Evergrowth Dairy Milk Cooperative in the Mekong Delta province of Soc Trang, and Quy Hien Livestock Production Cooperative in the northern mountainous province of Lao Cai. The models of these modern cooperatives should be replicated nationwide.

These are encouraging signals, showing that the collective economic sector and the modern cooperative model have been developing on the right track. They have also proved that the enactment of the Law on Cooperatives in 2012, which replaced the old one issued in 2003, was quite correct.

The new cooperative model is quite suitable with the policy on developing a multi-sectoral economy in Vietnam, encouraging the development of the household-based economic sector.

However, after reviewing the five-year implementation of the Law on Cooperatives 2012, we see that although the country has potential, it still fails to develop a strong cooperative model, and cooperatives' contributions to the nation's socioeconomic development fall short of what is desirable. These shortcomings need to be resolved during the process of developing the cooperative model in the time to come.

Could you elaborate more on this?

The Law on Cooperatives has many breakthroughs and the modern cooperative model is in many aspects superior to older models, but not all people understand them. Many are still not fully confident in the cooperatives' organisation structure, the transparency of business and production or the implementation of the services of modern cooperatives. They would still stick to the old-fashioned cooperative model.

In Vietnam, many people remain hostile to cooperatives, and they belittle their importance. Meanwhile, many other countries pay far more attention to the model. For example, Thailand has its own Ministry of Agriculture and Cooperatives. They attach great importance to this model, as well as to the application of high-technology, increased mechanisation, and automation to develop agriculture. In advanced



Vietnam has a great deal of international experience to draw on for the development of cooperatives

countries like Japan, New Zealand, Switzerland, and Canada, cooperatives are considered the most effective model of agricultural development.

The same must also be true to Vietnam. It is important that we reach a consensus and wake up to what modern cooperatives could be in our economy, given sufficient space and support. From there, we could focus on cooperative development with respect to large-scale production and value chains, with cooperatives producing and consuming goods for their members. Development is to be centred on service cooperatives and agricultural cooperatives in material areas.

In the process of developing cooperatives, what is the most important is how to create value chain links, therefrom helping boost the development of household-based economic sector, new rural areas, and speed up agricultural restructuring sustainably.

So what solutions will be used to develop this model strongly and sustainably?

In order to further implement the Law on Cooperatives 2012, along with the public dissemination of the cooperatives model and the law, it is necessary to improve the comprehensive mechanisms and documents guiding

the implementation of the law. In addition, efforts must be made to effectively deploy the government's policies on assisting and incentivising the development of the collective economic sector, and cooperatives.

We will review all documents and regulations. Any regulation that remains unsuitable will be amended and complemented. At the same time, we will also consider the enactment of some mechanisms and policies in favour of businesses that join goods-producing value chains in which cooperatives will play a pivotal role. This is aimed to encourage businesses to co-operate with cooperatives in production and business. In addition, we will also consider the promulgation of mechanisms and policies for cooperatives that co-operate with one another in consuming agricultural products, and policies to support rural professions and to prevent post-harvest losses.

It is also necessary to further improve the effectiveness of state management at cooperatives, by strengthening ties with the leadership of local authorities at all levels in cooperative development. This solution will also be prioritised for implementation in the time to come.

In parallel with enhancing the operational effectiveness of cooperatives, it is necessary to accelerate the completion of re-registration of

operational cooperatives and the dissolution of poorly-performing cooperatives. Besides, cooperatives must be facilitated to foster economic links with one another, especially among those operating in the same industries. This is aimed to reduce costs, develop value chains in production, and improve cooperatives' competitiveness in the market.

I do believe that cooperatives will strongly develop and operate more effectively in the time to come, and they will also be able to affirm their important role in the national economy.

From now to 2020, financial resources and efforts by the ministries of Agriculture and Rural Development as well as Planning and Investment, and by the Vietnamese Fatherland Front, the Vietnam Farmers' Union, and the Vietnam Cooperative Alliance will have to be reinforced to successfully develop cooperatives and cooperative unions for 15-18 key agricultural products for the country, with big export value.

If this job is done well, the livelihood of producers and farmers will significantly improve, which will be a testament to the effectiveness of the modern cooperative model, laying down firm foundations for cooperatives to continue to develop strongly in the years ahead.

Law on Cooperatives 2012 a powerful facelift to agricultural restructuring

Since its inception in 2012, the Law on Cooperatives has made significant contributions to agricultural and rural development in Vietnam. **Tran Thanh Nam**, Deputy Minister of Agriculture and Rural Development, writes about the development of cooperatives in the context of the country's agricultural restructuring.

Since Vietnam's first cooperative – the Democracy Glass Cooperative – was established in the northernmost area of Vietnam in March 1948, the country's development of cooperatives has witnessed its fair share of ups and downs, with laudable achievements.

Right after the eighth plenum of the second Party Central Committee organised in August 1955 was concluded, six agricultural cooperatives were established in six provinces, namely Ninh Binh, Phu Tho, Vinh Phuc, Thanh Hoa, Nghe An, and Thai Nguyen in order to meet the rising demand for agricultural production.

By late 1957, 42 agricultural cooperatives were piloted at the hamlet scale, with an average number of 20-30 members for each cooperative. Activities at these cooperatives were jointly done, with benefits distributed based on members' scores.

In 1986, Vietnam had a total of 73,470 cooperatives, including 17,022 engaged in agriculture, 32,034 in industry, and 24,414 in other sectors.

However, prior to the *doi moi*, the cooperative sector almost replaced the household-based economy and removed the private ownership of production materials. The members of agricultural cooperatives were only employees assigned to do different activities and work without bearing any responsibility for the results.

The members' income in some areas was as low as the value of 0.2-0.5 kilogrammes of



Many researchers held that it was the old-fashioned cooperative model that helped the north to mobilise human resources and materials to support the war effort.

unhusked rice per working day. About 80-90 per cent of their income came from earnings on the side. The average productivity of rice stagnated for many years at merely three tonnes per hectare.

Though the old-fashioned cooperatives adopted the operational model of a state-owned agricultural company, they failed to enhance the role of the household-based economy and the private-owned economy. However, the achievements of these cooperatives were undeniable.

In the north, cooperatives became a common house for producers who supported the fight against the US. Many researchers held that it was the old-fashioned cooperative model that helped the north to mobilise human resources and materials to support the war effort.

Cooperatives also helped gather and encourage people to stay united. They were also used to apply and develop scientific and technological achievements to production, raising productivity from under one tonne per hectare per crop in the late 1950s to about 3.1 tonnes in 1975.

Thanks to this, total food output (equivalent to unhusked rice) in northern Vietnam rose from four million tonnes per year in 1955 to more than 5.5 million tonnes in 1975.

However, the most important thing was that the 30-year cooperative movement in the north formed solid cooperation in agricultural production, and a relatively-developed agricultural

infrastructure system, which is now still benefiting the country.

During the next 10-year period, from 1986 to 1996, agricultural cooperatives suffered from the most difficulties. Economic difficulties in the beginning years of the *doi moi*, especially high inflation, badly affected cooperatives' investment capital. Besides, cooperatives were operating without a legal framework to govern them, as Vietnam had yet to have a law on cooperatives at the time.

When the Law on Land was enacted in 1993, it officially recognised the legal status of the farmer household-based economy, which then created a surge in the domestic agricultural sector. Within only three years after the *doi moi* was triggered, in 1989 Vietnam not only provided sufficient foodstuff for itself, but also had excess to export.

With the country embarking on the *doi moi*, and based on the resolution of the Party and the state, a new development period was opened for cooperatives, thanks to the first Law on Cooperatives promulgated in 1996, which was of great importance to the development of all cooperatives.

The law re-determined the position and role of cooperatives from being a state-owned unit in charge of controlling production in rural areas into a cooperative alliance in charge of supporting and providing services for all members. The principles which reflected the nature of cooperatives, such as self-reliance, self-responsibility, and equal and democratic management, were introduced in the Law on Cooperatives 1996.

In order to continue perfecting the content of the law, and meeting the requirements of cooperatives in the market-based economy and international integration, the new Law on Cooperatives was released in 2012. It has highlighted the achievements reaped during the development of cooperatives, while also continuing to remove hurdles about management and operation, making it easier for cooperatives to continue developing.

AGRICULTURAL COOPERATIVES STRIDE AHEAD

While some points still need to be complemented and amended, we can affirm that the 2012 law has met almost all development requirements.

It has specified the nature of cooperatives as a socioeconomic organisation model established voluntarily, based on the mutual benefits of all members.

With new regulations, the law allowed the development of assorted types of cooperatives, enabling them to operate like a business, with the benefits of members being the prime target.

As an economic entity, the cooperative plays an important role in supporting and leading the household-based economy to access the market. It not only provides input for production, but also organises activities about semi-processing, preservation, processing, and consuming products for members.

As of late June 2017, Vietnam had 21 unions and 10,836 agricultural cooperatives, up 450 against June 1, 2013 when the Law on Cooperatives officially took effect.

Statistics showed that each year, 800-1,000 new cooperatives were established. However, over the past few years, more than 2,000 poorly-operating cooperatives were disbanded. In general, the quality of cooperatives has been significantly improving. Specifically, the rate of agricultural cooperatives with effective operations has increased from 10 per cent in the previous years to over 33 per cent now.

The number of agricultural cooperatives effectively engaging in farm produce value

chains has also climbed from 7 per cent in the previous years to 20.5 per cent now.

In addition, the income of cooperatives' members has also increased by 1.5 times after four years of implementing the new law. At present, the whole country has 307 high-tech agricultural cooperatives, which fully meet the high-tech criteria set by the Ministry of Agriculture and Rural Development.

In the cooperative sector, these new cooperatives can adapt well to the socialist-oriented market-based economy, based on the principles of members' self-reliance and self-responsibility; professionalism in production and business, and democracy in management; support for members to develop, contributing to hunger alleviation and poverty reduction, and ensuring rural social welfare.

COOPERATIVES AMID AGRICULTURAL RESTRUCTURING AND NEW RURAL DEVELOPMENT

At present, about 65 per cent of the Vietnamese population are living in rural areas, and 42 per cent of the country's labourers are working in the agro-forestry-fishery sector. Thus, it remains a very important task for the Party and the government to boost agricultural and rural development.

However, there remain a raft of challenges which need to be addressed, such as the weak competitiveness of domestic agricultural products, issues about food safety and hygiene, low agricultural labour productivity, and the rate of processed products remaining low, making it difficult to quickly raise the agricultural sector's added value.

In order to boost agricultural and rural

development, two big programmes of the Party and the government, namely the National Targeted Programme for New Rural Development, and the Programme on Agricultural Restructuring, have been actively implemented, with many good results and receiving great applause from the people.

However, to reach these programmes' ultimate target of improving incomes and the lives of the people, and boosting sustainable development, the cooperative sector's development is one of the implications of agricultural restructuring and rural development.

In agricultural restructuring, one of the important tasks is to re-organise agricultural production under value chains and links between production and processing and consumption. Cooperatives play an important role in these links.

Only by developing value chains can cooperatives successfully create a production-processing-consumption value chain with high governance, with improvements in quality and the added value of products, and ensured food safety and hygiene. Additionally, only by joining this link can cooperatives ameliorate their operational effectiveness and reach sustainable development.

Thus the Law on Cooperatives 2012 has created an important legal framework for enabling cooperatives to effectively operate, meeting requirements for agricultural production and rural development in the socialist-oriented market-based economy.

A review of the history of the development of Vietnamese cooperatives shows the substantial position and role of cooperatives in agricultural and rural development in Vietnam in all periods of time.



The leader giving wings for private businesses and cooperative sector

Former Prime Minister Phan Van Khai is touted as the great leader who paved the way for the Vietnamese private sector to take off.

By Sy Chuc

The former prime minister concentrated on directing the study and modification of the Law on Companies 1999. In 2004, he also signed the decision to select October 13 as Vietnam Entrepreneurs' Day.

Nguyen Van De, chairman of the Thanh Hoa Business Association, still has vivid memories of former Prime Minister Phan Van Khai, the country's great leader with the sagacity and vision far ahead his generation and the temerity to act to unlock the development of private companies.

In 2002, when he became the chairman of Hop Luc Transportation Cooperative, the transport sector encountered several difficulties due to insufficient policies and mechanisms. In particular, a licence tax was levied by the tax authorities on each vehicle. Thus, the 60 vehicles of the cooperative were subject to taxes, which pushed operations into the red. This was not in line with the Party's policy to encourage the development of cooperatives. Transportation cooperatives across the country were on the verge of bankruptcy and dissolution.

"I made written proposals as well as spoke at several forums, but all my efforts were in vain. The cooperative was surrounded by some bad people and felt the effects of the embargo. Members lost their jobs at the cooperatives, while production stagnated, which put the cooperative on the brink of being shut down,"



Former Prime Minister Phan Van Khai (middle) gave the first push for cooperatives to fly

he said.

Although the government encouraged policy development for cooperatives, the mechanisms had yet to be brought up to speed with the realities of the market economy. At the time, some officers still stuck to old mechanisms without revamping their operations.

"We were bewildered when the legal framework was not completed. Sometimes, I just wanted to cry because of the stress," he recalled the difficulties 15 years ago.

"At the time, I heard that Prime Minister Phan Van Khai would hold the first meeting with the business community in Ho Chi Minh City. Although I was not invited to the meeting, I was determined to travel to Ho Chi Minh City to raise my voice for the prime minister to hear," he said.

He had to persuade the security guards to let him in the meeting hall. After

the speeches of the leaders of the Ministry of Planning and Investment, he risked raising his hand to speak and went straight to the stage. The security guards stepped up to keep him off, but the prime minister called out: "Let him speak."

He was trembling and overcome by nerves when meeting the prime minister for the first time, but still managed to give voice to his aspirations. To promote the development of the cooperative economy, he pointed out five key issues, with an emphasis on the vehicle licensing tax levied on transportation cooperatives. Although he went overtime in his comments, the prime minister and the assembly listened without interruption.

The audience broke out in applause when he completed his speech. He was caught up in a rush of emotions and he could not help breaking out in tears as soon as he left the meeting hall. There was little hope of changing the policies immediately.



Former Prime Minister Phan Van Khai always gave strong support to the business community

However, he felt relieved after sharing his thoughts with the prime minister.

In the afternoon, he was having a meal at a street food stall while waiting for the train back to Thanh Hoa when he suddenly received a call from an unknown number. The caller was Quach Le Thanh, who was the government's Inspector General back then. Thanh introduced himself as a compatriot from Thanh Hoa.

The prime minister assigned the deputy prime minister at the time to direct the Ministry of Planning and Investment, the Ministry of Finance, the General Department of Taxation, and related units to quickly study and adjust policies to remove barriers for businesses. The prime minister also complimented De's speech.

After receiving the call, De burst into tears of joy in the middle of Ho Chi Minh City. His efforts have paid off. 15 days after

the meeting in Ho Chi Minh City, the cooperative community received the good news that De's suggestions have been resolved. Thus, one legal entity only needed to pay licence tax after its fleet as a single unit, not after each individual vehicle. De received many thank you calls from transportation cooperatives and businesses across the country. However, he humbly attributed the achievements to the government and former prime minister Phan Van Khai.

One year later, the Law on Cooperative 2003 was officially promulgated by the 11th National Assembly, creating a legal corridor for the development of the cooperative sector. This change has become a driving force for the transformation of the cooperative economic model. The 4,000 cooperatives at the time the law came into effect soon grew by thousands more. The number of cooperatives has surged to 20,000 by

now, creating jobs and improving income levels for tens of thousands of workers.

His business has since taken off. De has held more important positions in society as well as made constructive suggestions at major economic forums. However, meeting the prime minister remains one of his most cherished memories to this day.

If he did not meet the prime minister, Hop Luc Transportation Cooperative would not have taken off to become a multidisciplinary and multi-sector group. De and businessmen in the transportation field will remember and be grateful to the former prime minister.

"I think that Prime Minister Phan Van Khai will be remembered as a technocratic leader of powerful innovative ideas and bold action. He was filled with overwhelming compassion for the people and businesses," he said.

Shedding shackles of past traditions: Opportunities behind hulking challenges

Over the past decades, cooperatives have seen their fair share of ups and downs. **Dr. Nguyen Van Doan**, director of the Agency for Cooperative Development under the Ministry of Planning and Investment, writes about the current issues in the development of this economic model.

The development of cooperatives has been a major policy directive of the Party and the government, reflected in a resolution of the Fifth Plenary Session of the Ninth Communist Party Central Committee, and Conclusion No.56-KL/TW dated February 21, 2013 by the Politburo on the continuation of the renovation, development, and improvement of the effectiveness of the cooperative sector.

The Law on Cooperatives 2012 was adopted by the National Assembly and took effect on July 1, 2013. It has been rated as one of the most advanced laws with experience and lessons learned from many nations where cooperatives have been developing strongly, such as in Canada, the Netherlands, Japan, South Korea, Malaysia, and Thailand.

After more than five years of implementing the law, cooperatives' have reaped laudable results. However, some difficulties remain, making further development difficult.

QUALITATIVE AND QUANTITATIVE CHANGE

The Law on Cooperatives 2012 identifies cooperatives as an economic model which can help farmers connect production and consume products, as well as sustain their lives.



The law has clearly outlined the nature of cooperatives, which is rooted in voluntariness, cooperation, equality, co-ownership, and mutual support amongst members, in order to benefit all members economically, socially, and culturally.

The collective economic sector, centring on cooperatives, has changed positively and been playing a significant role in boosting the development of cooperatives nationwide.

First, thanks to the law, public awareness about cooperatives has radically changed. Quite different from the old model, the modern cooperative model focuses on benefiting members via commitments in supplying and consuming products and services, as well as generating employment for their members.

Awareness about the nature of cooperatives has been improved in society, gradually establishing a distinction between cooperatives and enterprises, social organisations, and old-fashioned cooperatives.

Cooperatives' strong points and role in the development of the household-based economic sector, as well as localities' and the country's economies

have also been gradually affirmed.

Second, the support of local authorities at all levels for the collective economic sector and cooperatives has been enhanced. Many plans, programmes, mechanisms, and policies to develop the Law on Cooperatives 2012 have been enacted in a manner which is suitable to the real circumstances in cities and provinces.

Third, there have been positive changes in technology and the market in the collective economic sector and cooperatives. The number of cooperatives applying new scientific and technological achievements to their production and business, and engaging in high-tech agricultural production, has been increasing.

Especially, agricultural cooperatives have focused on key products in the areas where they are located. They have also co-operated with supermarkets and big enterprises in order to expand their output market, contributing to improving product quality and competitiveness. A number of cooperatives have taken the initiative to expand markets at home and abroad.

Fourth, hundreds of large-scale cooperatives have recently appeared to operate in many cities and provinces, with annual revenues of millions of US dollars. Exemplary agricultural cooperative models include Quy Hien Livestock Production Cooperative and Binh Dinh Agricultural Service Cooperative in the northern provinces of Lao Cai and Thai Binh. In the Central Highlands province of Lam Dong, the model for linking cooperation teams and Sunflower Company, and in the Mekong Delta province of Soc Trang Evergrowth Dairy Milk Cooperative are of particular note. These models need to be multiplied nationwide.

Fifth, the capacity of cooperatives'



The number of established cooperatives skyrocketed since the enactment of the Law on Cooperatives 2012

managers has been improved. Some cooperatives have capable managers who have decided to apply science and technology in the operation of cooperatives, allowing them to develop strongly. These cooperatives are encouraging signals, showing that the collective economic sector and the modern cooperative model have been gradually developing on the right track. They have also proved the fact that the enactment of the Law on Cooperatives 2012, which replaced the old one issued in 2003, and the directions of the Politburo in Conclusion No.56-KL/TW dated February 21, 2013, were quite correct.

The modern cooperative model fits very well with the policy on developing a multi-sectoral economy in Vietnam, encouraging the development of the household-based economic sector, and contributing to firmly keeping the socialist orientation in the market

economy.

In addition to qualitative changes, quantitative results have also been demonstrated since the birth of the law. Specifically, the number of newly-established cooperatives has increased, with the revenue and income of their members improved, positively impacting the household-based economic sector, contributing to the eradication of hunger and poverty, and ensuring security in all communities.

According to reports from 63 cities and provinces nationwide, as of late 2018, Vietnam had 22,456 cooperatives and 74 cooperative unions involving the participation of 6.95 million members. The number of cooperatives increased by 1,468, while membership increased by 156,616 people against 2017.

The number of newly-established cooperatives was 2,290, while the number of dissolved cooperatives was

822.

Nationwide, there were 13,856 agricultural cooperatives, 2,827 industrial cooperatives, 1,715 construction cooperatives, 1,865 transport cooperatives, 1,188 people-oriented credit funds, and 1,005 cooperatives operating in other industries.

The Red River Delta is home to the most cooperatives (26.7 per cent), while the Central Highlands region has the fewest (5.05 per cent).

In 2018 alone, the number of cooperatives increased faster than the growth of 583 cooperatives during the five years between 2013 and 2017. The key reason was that the old-fashioned cooperatives were transformed strongly in accordance with the Law on Cooperatives 2012, with an increase in newly-established cooperatives. The increase in the number of new cooperatives was particularly spectacular in the agricultural and services sectors.



Cooperatives need to work towards meeting the new demand

This has contributed to accomplishing the target set by the National Assembly's Resolution No.24/2016/QH14 that there must be 15,000 modern cooperatives operating effectively in the country.

Despite difficulties, cooperatives have been developing stably. In 2018, the average annual revenue of each cooperative hit more than VND4.05 billion (\$176,100), up 9.5 per cent against 2017, and the average annual revenue of members reached more than VND2.3 billion (\$100,000), accounting for 59 per cent of the cooperative's average revenue.

The average profits increased by VND277.95 million (\$12,084) per year, up 8.9 per cent against 2017. The income of

each full-time labourer in the cooperative in 2018 was VND39.54 million (\$1,719), up about 9.1 per cent against 2017.

The south-eastern region posted the highest annual average revenue, with VND9.4 billion (\$408,700) per cooperative. Meanwhile, the north-western region saw the lowest annual average revenue, at VND900 million (\$39,130) per cooperative.

Cooperatives have helped improve the livelihoods of all members, contributing to the alleviation of hunger and the reduction of poverty.

OBSTRUCTIONS REMAIN

Despite achievements, the collective economic sector and cooperatives still

face challenges. Their development has yet to match their potential due to limitations in policies and mechanisms, as well as in the implementation of these policies and mechanisms.

Regarding mechanisms and policies, a number of regulations remain unclear about the determination and settlement of shared assets after dissolution or transformation, about changing cooperatives into other forms, and cooperative auditing.

Besides, many policies aimed at supporting cooperatives have not been effectively implemented. Specifically, the Law on Cooperatives 2012 and government Decree No.193/2013/ND-CP on detailing a number of articles of this law provide for 11 preferential policies for cooperatives. However, these policies have yet to be put into practice. Some policies of the type are mixed with general support policies. Thus, only a few cooperatives have received support.

As for the implementation of the law, local authorities have yet to pay due attention to devising policies to foster cooperatives and remove their difficulties. Awareness about the position and the role of cooperatives among managers and people in many cities and provinces remains limited.

Moreover, the ingrained mindset about the failure of the old-fashioned cooperative model persists in the public and among cooperative managers, while the modern cooperative model has yet to operate quite effectively, and attract large public participation.

The time taken to enact some documents guiding the implementation of the law is long, holding up implementation. There have also been difficulties in bringing the law into life. Many cities and provinces have yet to implement new regulations, and do not seem to appreciate the role of cooperatives in their socioeconomic development. A large-scale modern cooperative model has yet to be developed in many of these cities and provinces.

Meanwhile, the majority of cooper-

atives are cash-strapped with backward and small-scale operations, with no links to other cooperatives. This has made it difficult for cooperatives to seek out bank loans. Many still rely on support from the government, while keeping to traditional operation methods and failing to meet new regulations. Many cooperatives have problems with accounting, financial reporting, business, and production standards.

In addition, state management in many cooperatives remains weak. The state management apparatus for cooperatives has yet to be strengthened as requested by the law, while leaders of many cooperatives remain feeble in capacity and qualification, holding back cooperatives from reaching their full potential.

At the central level, only the Ministry of Planning and Investment, which is in charge of managing cooperatives and cooperative unions, and the Ministry of Agriculture and Rural Development have

set up agencies to perform state management over the collective economic sector. Meanwhile, the same has not been true to other ministries and relevant authorities.

At the provincial level, the state management system for the collective economic sector and cooperatives is fragmented across many agencies. Planning and investment agencies are directly responsible for dispensing the state management tasks over the collective economic sector and cooperatives, but provincial departments of Planning and Investment have not been assigned relevant duties.

At the district and commune levels, there are almost no specific staff assigned to deal with issues about the collective economic sector and cooperatives.

In the future, the country's new situation will offer both opportunities and challenges for the collective economic sector and cooperatives, requiring them to renew their operations to take

advantage of opportunities and weather all difficulties.

With new signals that have been positively impacting the development of cooperatives in Vietnam, and with the strong leadership of the government, ministries, agencies, and localities, as well as the strong spirit for the development of cooperatives, we do believe that in the time to come, the cooperative movement in Vietnam will develop steadily, making bigger contributions to the national socialist-oriented socioeconomic development.



The modern cooperative model fits very well with the policy on developing a multi-sectoral economy in Vietnam, encouraging the development of the household-based economic sector.

COOPERATIVES - FRESH IDEAS & NEW MOMENTUM



Enhancing state management to steer collective economy towards triumph

Phung Quoc Chi, deputy general director of the Agency for Co-operative Development under the Ministry of Planning and Investment and vice head of the Office for Reform and Development of Collective Economy and Co-operatives, shines light on the establishment, the role, and recent highlights in the work of the Steering Committee for Reform and Development of Collective Economy and Co-operatives in ensuring smooth sailing in the sector.

FOUNDATION AND FUNCTIONS

Strengthening the operational capacity and oversight of the state management apparatus from the central to local level and from provincial to district, town, and grassroots level is one of the urgent tasks to ensure the fast and effective execution of the Party and the state's regulations on the collective economy and co-operatives. In fact, there is a lot of space for improvement as the state management apparatus at ministries and branches, particularly at localities, is rather weak and patchy.

At the central level, only the Ministry of Planning and Investment (MPI) and the Ministry of Agriculture and Rural Development (MARD) have set up agencies to perform state management functions on the collective economy and co-operatives, other ministries and sectors have not set up separate units for this purpose but assigned



The Steering Committee was established to ensure the healthy development of co-operatives

an existing agency in their organisational structure to co-handle the task.

At the local level, in light of Inter-ministerial Circular No.21/2015/TTLT-BKHDT-BNV dated December 11, 2015 of the MPI and the Ministry of Home Affairs, the departments of Planning and Investment are assigned to help the provincial People's Committees to handle state management of the collective economy and co-operatives in their areas. However, so far, only one-third of the localities have made efforts to set up a specific department to oversee business, collective, and private economic development. Other localities have also established such departments, but due to limited manpower most of their staff need to handle this function along with other tasks.

Most officials who have to share their attention with other tasks find it difficult to accumulate the necessary experience about co-operative development. Not only that, due to the lack of specialised staff and agencies, the co-operation between state management bodies in the dissemination and implementation of legal documents

about co-operatives as well as the Party and the state's orientations and policies on co-operatives has been lax, leading to misunderstandings and the inadequate application of regulations, thus hindering co-operatives' development.

In this context, there needs to be a seamless and united apparatus and personnel from the central to local level to bring together their brain power and energy on penning and implementing resolutions, regulations, and policies on the collective economy.

As the state management apparatus taking charge of overseeing the development of the collective economy and co-operatives has been beset by numerous difficulties at both the central and local levels, to bolster the efficiency of state management, Prime Minister Nguyen Xuan Phuc signed Decision 352/QĐ-TTg dated March 22, 2017 on the establishment of the Steering Committee for Renovation and Development of Collective Economy and Co-operatives.

Deputy Prime Minister Vuong Dinh Hue acts as the head of the Committee, the

Minister of Planning and Investment acts as the standing deputy head, while the two other deputy heads are the Minister of Agriculture and Rural Development, and the chairman of the Vietnam Co-operative Alliance. The leaders of 19 relevant ministries, branches, sectors, and organisations act as the Committee members.

To ensure the consistent management of the collective economy and co-operatives' development, the Steering Committee is responsible for studying and proposing to the prime minister the orientations, policies, and measures for reform and development of the collective economy and co-operatives; helping the prime minister to guide, moderate, and coordinate actions between ministries, sectors, local and central agencies in the implementation of legal documents, programmes, and plans on collective economy and co-operatives development; while simultaneously assisting the prime minister in guiding, and overseeing the performance of ministries, sectors, central and local agencies in the penning out, management, and handling the implementation of plans and programmes on collective economy and co-operatives' reform and development.

MAJOR ACHIEVEMENTS OF THE STEERING COMMITTEE

More than two years since its establishment, co-ordination between ministries, branches, and departments related to the collective economy and co-operatives have been gradually strengthened.

Each member in the Steering Committee has the competence to devise a concrete action programme based on the Committee's action plan and their assigned tasks, helping to avoid overlap and duplicated procedures.

This also helps bring forth the collective strength in consultancy and the recommendation of orientations, policies, and strategic solutions for the reform and development of the collective economy and co-operatives.

Well aware of the benefits of co-ordination, many localities have set up and gradually improved the operation efficiency

of the steering committees in their locations. This has paved the way to bolstering the effectiveness of co-operation not only between ministries and sectors at the central level (horizontally), but also between agencies at the central and local levels (vertically).

Since its foundation, the Steering Committee has been assigned many important tasks by the prime minister. Accordingly, in 2017 right after its setup, the Committee teamed up with relevant ministries and sectors to successfully host the national online conference to review the implementation of the Law on Co-operatives 2012 later that year.

The conference was crucial in assessing the real situation of the collective economy after five years of enforcement of the Law on Co-operatives, from there amending and gradually perfecting the regulatory framework to maximise the efficiency of the reforms and development of the collective economy.

In 2018, the Committee handled a raft of activities, with the most outstanding being the compilation of a report to the prime minister on the enactment of Directive No.12/CT-TTg dated May 22, 2018 on strengthening the implementation of the Law on Co-operatives 2012.

Following the directive, the MPI has been building up the national database about co-operatives and allowed the online registration of both co-operatives and tax procedures. At the same time, the MARD requested the government's approval for Decree No.98/2018/ND-CP dated July 5, 2018 which presented policies to stimulate co-operation in the production and consumption of agricultural goods. The Ministry of Finance summarised reports on the debt situation of co-operatives which had suspended operations to present suitable remedies to the prime minister.

Also, the State Bank of Vietnam sought the government's approval for Decree No.116/2018/ND-CP dated September 7, 2018 to amend and supplement some articles of Decree No.55/2015/ND-CPP dated June 9, 2015 on credit policies serving agriculture and rural development.

The Ministry of Industry of Trade

requested the government to enact Decree No.28/2018/ND-CP dated March 1, 2018 presenting trade promotion measures for external trade development, as well as supporting businesses and co-operatives in organising trade promotion activities.

For its part, the Fund for Co-operative Development belonging to the Vietnam Co-operative Alliance evaluated and signed credit contracts to provide loans for 23 projects in 16 provinces and municipalities with VND58 billion (\$2.5 million) worth in total outstanding loan balance. Other ministries and branches have been proactively implementing their duties based on their assigned tasks and functions.

This year, to enhance its role in the development of the collective economy and co-operatives, the Steering Committee was assigned to review the 15-year implementation of Resolution No.13-NQ/TW dated March 18, 2002, and the fifth meeting of the Ninth Party Central Committee on the reform, development, and improvement of the efficiency of the collective economy.

The summary results will serve as an important foundation to setting forth new orientations, targets, and concrete measures to push up the development of the collective economy and co-operatives in the forthcoming years.

Besides, the Committee will further instruct ministries and localities to step up the propagation and training of co-operative law. Additionally, it requested these organs to review and gradually perfect mechanisms, policies, and guiding documents on the implementation of these laws, while simultaneously accelerating the enforcement of supporting policies and incentives for the collective economy and co-operative development.

In the upcoming time, it is important to boost the efficiency of intra-committee co-operation activities, not only horizontally, but also vertically.

In addition, the Steering Committee needs to ramp up efforts to maximise the overall strength of the entire political system, associations, organisations, and individuals at home and abroad to concentrate efforts on the development of the collective economy and co-operatives.

Key points for an efficient legislation for cooperatives

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INTRODUCTION

Cooperatives around the world are increasingly recognized for their capacity to enhance economic security and social justice (Henry, 2013; Fici, 2013). The International Labour Organization (ILO), through the Recommendation 193, places cooperatives as the favored business model to promote employment and sustain human development (ILO, 2002) « while stressing the crucial role of governments in establishing the appropriate political, legal and institutional framework» (Levin, 2003, p. 1). As a matter of fact, an efficient legislation is required to foster the creation and sound management of cooperatives and the development of a national effective cooperative sector. This article aims to contribute to the reflection surrounding the key elements that should be addressed for an efficient national cooperative legislation, namely one that allows individuals to regroup and easily create a cooperative, gives the cooperators the latitude to operate their cooperative in accordance with the cooperative principles and, therefore, contributes to the blooming of the cooperative sector in an effective manner. Therefore, this paper is divided in two sections. The first one explores the fundamentals of a cooperative law in accordance to the cooperative identity. The second section discusses the factors contributing to the creation of an enabling environment for the establishment and development of cooperative organizations. The remarks and comments put forward are mostly based upon findings from a documentary review and exchanges with practitioners in the Quebec cooperative sector.

FUNDAMENTALS OF COOPERATIVE LEGISLATION

The milestone for an adequate cooperative



Participation in the cooperative sector is fully voluntary

law is an appropriate definition of cooperatives, notably in order to explicitly state their distinctiveness in relation to other organizations such as corporations and associations (Cracogna, 2002). In fact, literature suggests two prerequisites for a cooperative law to be in accordance with the Statement on cooperative identity as declined by the International Cooperative Alliance (ICA) (1995): a clear definition of the cooperative organization and an explicit reference to the ICA principles. "Furthermore, Henry (2013) and Fici (2012) plead that, since the ILO specifically embraces the seven ICA principles in the Recommendation 193, countries that are members of the ILO should comply with the Statement on cooperative identity.

Cooperative laws provide legal recognition to cooperatives, therefore ensuring their autonomy and their capacity to fulfill their social and economic functions in accordance to their specific characteristics. This legal recognition as independent entities grants the cooperatives the full ownership of the assets they hold and, more importantly, separates these assets from those of

the members, which enables to limit the liability of the members from the actions taken by their cooperative (Barnes, 1951).

Once it has recognized the cooperative as a legal person, independent from its members, the law must facilitate cooperative action by ensuring flexibility, so that the cooperative model can adapt to all contexts, business sectors and membership types (Barnes, 1951).

The existence of one single general law comprehensive of all classes of cooperatives would be advisable, as it would thus re-affirm the single and common nature of them all, even if containing special provisions for certain specific types of cooperatives. In addition, having one general law avoids contradictions or duplications likely to arise from separate laws. It would also be advisable that a cooperative law be an autonomous piece of legislation, and not part of a more comprehensive statutory set of rules, as it would re-affirm the specific and distinct nature of cooperatives. (Cracogna, 2002, p. 4)

Lastly, cooperative laws should also be explicit on the collective nature of the participation to

property, power and results within cooperatives (Desroche, 1976), which will be the object of the next section.

Collective participation to property

The collective participation to property raises questions around voluntary membership, variability of the social capital, financial stability of cooperatives, investment shares and indivisibility of the shares detained by a member.

Membership in cooperatives is voluntary, which means that members are free to adhere to cooperatives and to leave it. The membership is delivered by the cooperative in exchange for a contribution in capital, namely in exchange for the subscription of qualifying shares. The price of the qualifying shares is the same for every member of a same category in a cooperative. It is noteworthy that an open membership allows, in theory, all people wishing to join the cooperative to take advantage of the benefits the cooperative is able to provide (Fici, 2012). In practice, admitting new members is conditional on the cooperative capacity to provide goods and services to the new members and, as a corollary, on the capacity of the new members to actually do business with the cooperative. This prevents the social capital from becoming an investment capital on which members expect a return. (Fici, 2013).

The voluntary nature of membership also implies that the social capital of a cooperative, that is the shares subscribed by the members, fluctuates from time to time: cooperatives accept new members and their subscriptions, while repaying leaving members. Legislation should help cooperatives to keep a strong capital basis, sufficient to allow the delivering of goods and services to their members, over the long term. To

prevent the financial uncertainty caused by the variability of the social capital, the law should delegate control on reimbursement pace and procedures to the cooperatives' governing bodies.

Due to capitalization issues, some cooperative laws allow cooperatives to issue investment shares to members and, sometimes, to non-members. In this case, the law should avoid granting a voting right associated with the investment shares, if not, explicitly limit the vote, and restrict the level of remuneration on these shares.

Because the participation relationship between the cooperative and its members is what needs to be prioritized, investment shares can be partially or totally redeemed by the cooperative, according to the rules framing their issuance and reimbursement. There is no such thing as the indivisibility of the number of shares held by a member, unless the number of shares does not qualify the individual as a member anymore. Ownership, in cooperatives, is inextricably linked to member participation.

Collective participation to power

The members' collective participation to power is embedded in the ICA principles. Members must keep control over their cooperative, even when the cooperative enters into an agreement with other organizations. Cooperatives do so "on terms that ensure democratic control by their members and maintain their cooperative autonomy" (ICA, 1995).

The "one-member one-vote" rule defines the cooperative organization in its relationship with the members (Fici, 2013). Therefore, neither the amount of cooperative capital a person holds nor the amount of business transactions done with

the cooperative should determine the voting rights. This applies to first tier cooperatives; federations and unions, as secondary or higher-level organizations, may use different rules for allocating the votes (Henry, 2013).

The structure of governance of a cooperative gives the sovereign powers to the general assembly of members. This assembly delegates some strategic powers and general business orientations decisions to the board of directors. Although directors are generally elected amongst the cooperative members, it is increasingly frequent as a governance and business practice to elect a minority of external directors for their expertise in specific business sector (Münkner, 2014). If this practice is allowed by a cooperative law, measures should be taken in order to ensure that the control remains in the hands of the cooperative's members. Furthermore, good governance practices recommend that a member-user occupies the chairman's seat, (Henry, 2013).

The board of directors is also responsible of hiring a managing director, if need be, who will, in turn, hire employees to better provide goods and services to the cooperative's members (Desroche, 1976). The manager is accountable towards the board of directors, while the directors are accountable towards the general assembly of members. Literature on governance generally contends that the chair of the board and the general manager remain two different individuals (Deloitte, 2016; Cadbury, 1992; Institut sur la gouvernance des organisations privées et publiques, 2015). The reasons behind this practice are numerous. First, it ensures a balance of authority and power (Cadbury, 1992). Second, the long-term strategy and the day-to-day business can



sometimes be conflictual (Percy, 1995). Third, it increases accountability and, fourth, it provides independence to the board's decision-making towards management (Organisation for Economic Co-operation and Development, 2015).

Some legislations also suggest the creation of a second board, called supervisory board or council, which role is to supervise the board of directors and the management. Named by the general assembly of members, and exclusively composed of members of the cooperative, this board has total access to information, and is only answerable to the general assembly (Cracogna, 2002; Henry, 2013; Cooperatives Europe et al., 2010).

On another note, lawmakers must insist on means for an independent financial audit. This audit report is intended to offer a safeguard to the general assembly. This being said, if the costs related to an independent audit report is too high, national accounting rules should provide alternative means to facilitate the reporting (Münkner, 2014).

"Proper governance structures ensure that decisions are made in the members' best interests while ensuring the continued operation of the cooperative." (Fulton and Girard, 2015, p. 36) To reinforce the distinctive nature of cooperatives, legislation should also value the members' collective participation to results.

Collective participation to results

To address the topic of collective participation to results, this subsection deals mainly with the cooperative transactions with its members, the creation of an indivisible reserve and the distribution of surplus to members.

The mutual purpose of cooperatives implies "transactions between the cooperative and its members for the exchange of goods or services or for the execution of work, depending on the type of cooperative, whether a consumer-, producer-, or worker- cooperative" (Fici, 2013, p. 28). It is through those transactions that the cooperative fulfills its mission (Ibid.). On this basis, a fundamental issue lawmakers must address is "whether and to what extent a cooperative and its members are (or must be) obligated to transact with each other" (Ibid., p. 29). since a cooperative's object is "to provide for the need of its members" (Gide, 1921, p. 49), the challenge for legislators is to regulate the level of transactions with non-members to prevent cooperatives from acting as "an ordinary business organization on the market, which 'exploits' the general public by making

profit from them" (Ibid., p. 31). In practice, laws will impose a quota or conditions for a cooperative to do transactions with non-members (Naett, 2015).. Some legislations oblige cooperatives to include non-members doing transactions with them in their membership. Others forbid the distribution of surplus coming from transactions with non-members and impose its allocation to the reserve (Fici, 2013).

Furthermore, the establishment of an indivisible reserve constitutes another distinctive characteristic of cooperatives. The surplus generated by a cooperative's operations should be used to secure it in times of uncertainty, so the cooperative can better serve its current and future members. The set-up of an indivisible reserve has been subject to debate. During the cooperative's existence, some legislations impose the attribution of a minimum portion of the annual surpluses to a reserve. Once this minimum is reached, the cooperative is entitled to distribute the rest to member-users. Another aspect of the debate comes from the distribution of reserve funds upon the dissolution of a cooperative. Lawmakers need to determine what used is to be made of the net assets left: distribute it among current members or devolve it to the cooperative's federation, another cooperative or to an organization that promotes the creation and development of cooperatives?

Once the rationale behind the reserve is understood, the problem of the investor-members stays unresolved. These members do not use the services of the cooperatives. It is therefore to legislators to establish a clear line for the distribution of annual surpluses. For example, does the cooperative reimburse the interests on capital prior to the distribution of returns or vice-versa? What if the cooperative is in financial shortage?

In brief, lawmakers must keep in mind that for a cooperative to thrive, a sound capitalization is required. But for members to commit to their cooperative, they have to benefit from it in some ways. Members' collective participation to property, to power and to results is key for the distinctiveness of cooperatives and legislation should help them stimulate and secure their participation on those three dimensions.

FACTORS CONTRIBUTING TO COOPERATIVES' DEVELOPMENT

Several factors contribute to the set-up of an enabling environment for the establishment and

development of cooperatives. A legal framework is necessary, but not sufficient by itself. A few elements should also be considered during the process of creating, implementing and monitoring a cooperative law.

First, a collaborative approach is crucial for ensuring the relevance and successful implementation of the law. Ministries responsible for cooperatives must work hand in hand with the cooperative sector in order to create a law that best suits the interests, needs, specificities and requirements of all parties. The language of cooperative legislation should therefore ensure its understanding by the largest number of people and, especially, of potential cooperative members (Cracogna, 2002). The consideration of regional or international regulations or standards, including the ICA principles, is also necessary, since cooperatives are influenced by the sectors' tendencies and requirements (Naett, 2015). Even when considering those regulations and standards, the cooperative law should remain adapted to local and national situation.

Notwithstanding such universal nature, cooperatives are organizations deeply rooted in local communities; that is to say, they are born and develop in a given historical, geographic and cultural setting that confers on them a profile characteristic of the place and the time. (Cracogna, 2002, p. 3)

In that sense, the historic relationship between the cooperative sector and the State is a factor influencing the general perception towards cooperatives. Once a cooperative law has been instituted, the proper means to implement it are certainly crucial for its success. A public policy targeting cooperative development, for example, ensures the recognition of the cooperative sector and gives strength to the law (Naett, 2015). Proper financial tools and awareness campaign for cooperative development will also complement a strong legal framework (Ibid.). (Cooperatives Europe et al., 2010, p. 337) Consequently, relevant and specific expertise within government entities and departments involved with cooperatives (agriculture, business, import-export, education, etc.) is also important to raise awareness and knowledge of the cooperative model (Ibid.). In the same vein, all laws pertaining to business activities must be adapted to the cooperatives' specificities: contacts, tax, labour, insolvency, etc.

Ultimately, the establishment of cooperative support organizations (CSO) should be facilitated. CSOs can either exist before the creation of the



A strong capital system is essential to develop cooperatives

law, and therefore be involved in the process of developing the law, or created through the law. The CSOs have a double function:

economic functions, which are to help securing external finance, to provide training on specific topics to promote the model as a realistic way to launch sustainable enterprises. On the political functions, CSOs should lobby for equal and privileged treatment of the co-operative model in terms of taxation and legal matters and work to establish the co-operative movement as a dynamic social movement, elaborate strategies for the development of the sector. (Conforth & Thomas, 1990, p. 453)

Once the cooperative law is in effect, it should be “widely disseminated to allow all sectors of the population become aware of this form of organization” (Cracogna, 2002, p. 11). Follow-up and application tools can be elaborated to support cooperatives in their development and to ensure they keep acting in accordance with the law and, inversely, to ensure that the law still abides by the ICA principles and practitioners’ interests.

CONCLUSION

In sum, the establishment of a cooperative law requires a full understanding and recognition of the cooperatives’ specificities. The ICA principles and the ILO Recommendation 193 represent an

important starting point to achieve that objective. To ensure an enabling environment for cooperatives’ creation and development, cooperative laws should nevertheless be combined with different national strategies, which will reinforce it.

Another crucial element that has not been discussed so far, is the importance of the 5th ICA principle, namely the one which concerns “Education, training and information”: “Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation” (ICA, 1995). In fact, the elaboration, implementation and monitoring of a cooperative law require that all actors involved in the process have a proper understanding of the distinctive nature, aim, ethics and challenges of cooperatives. Otherwise, cooperatives are at risk of losing their specificity, which is both their strength and main asset for “achieving peace, prosperity and social equity” (Curl, 2010, p. 13). Cooperatives need a solid legal basis and an enabling institutional environment to meet the needs and aspirations of their members, in a context where all eyes are turned toward them with high hopes.

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The 972 financial cooperatives make up one of the three most important pillars of the German financial segment

Leading experiences in development of

By Helmut Pabst

Project director, DGRV Vietnam, German Cooperative and Raiffeisen Confederation

In 1960, my parents made the decision to buy a house for our growing family. 15 years after World War II ended, housing was scarce in Germany and many buildings in the adjacent town of Nuremberg were still uninhabitable due to the bombing. My father submitted a loan application to several banks because the family's savings were not sufficient to purchase a new house. The

local Raiffeisen Bank, a small savings and loans cooperative founded in 1893, offered him the lowest interest rate and surprised him with personalised and gentle service.

Fifty-seven years later, this formerly marginal financial cooperative has soared in both quantity (number of members and assets) and quality (service and capital) and no longer limits business to just simple credit and deposit. Meanwhile, having merged with seven neighbouring cooperatives, the array of services for its more than

50,000 members and customers has been extended to include ATMs, internet banking, the issuance of bank and credit cards, national and international settlements, insurances, investment banking, and backing SME members' international commerce undertakings.

In the 70s the annual general meeting of members elected my father to the board of directors. He served on the cooperative's governing body for 17 years as chairman. In 1973, I became a member as well, and then my wife, my brother, and now our two daughters

petitive German financial market and serve more than 30 million members/customers via 10,815 branches, mobilising €637 billion (\$726.2 billion) of saving and deposits and accounting for €538 billion (\$613.3 billion) in outstanding loans.

When starting with this successful financial inclusion policy, the German cooperative's fundamental drivers have been:

- customer surveys in order to determine services and products according to the members' priority needs;
- high investment in computerisation of accounting and business operations, with one unique core IT system connecting today all 10,815 offices on the national and international levels;
- promoting comfortable cashless payment services;
- implementing sound risk management, based on effective internal controls;
- specialised financial and management auditing executed by efficient departments of federations; and
- the federal and regional cooperative federations run modern academies, offering the board of directors, supervisory committee members, managers, and staff a professional curricular training system. This modular training system is mandatory to join and graduate for all who perform as professionals in cooperatives.

Bui Thanh Son, Vietnamese Deputy Minister of Foreign and chair of the APEC Senior Officials' Meeting hosted not long ago in Ho Chi Minh City, claimed during this important event: "Economic growth will neither reach its full potential nor will it be sustainable if it is not inclusive. There is currently no holistic set of policies in the APEC to promote economic, financial, and social inclusion."

The new model of Vietnamese cooperatives comprises of all features of this holistic and inclusive approach. However, the transition has to be spurred by a master plan for the entire cooperative sector implementing the six

drivers previously mentioned. This will enable People Credit Funds (PCFs), agricultural-, trade-, and producer cooperatives to become competitive and sustainable enterprises.

Therefore, the new cooperative model needs to incorporate good corporate governance, professional and commercial business approach, as well as cooperative principles to work.

Once the three components are successfully combined, implemented, and applied, this will provide four main benefits to the Vietnamese PCFs and other cooperatives' members and customers:

- Safeguard shares and deposits;
- Access to markets and soaring financial inclusion;
- Adaptable, quality, and competitive products and services; and
- Awareness of ownership.

From a small start facing the population's immediate housing and basic needs after World War II, German financial cooperatives have reached the universal banking level and meet the high standards that today's global competition demands, without brushing aside the cooperative mission and principles.

For 57 years, my father was a loyal member and leader of our local cooperative in Nuremberg and today his son proudly engages with the German Cooperative and Raiffeisen Confederation to share the key drivers of Germany's best experiences with the Ministry of Planning and Investment and other committed key players in order to strengthen the new Vietnamese cooperative model.



The new cooperative model needs to incorporate good corporate governance, professional and commercial business approach, as well as cooperative principles to work.



cooperatives

who run all banking transactions of their modest student budget with the now-called VR Bank Nuremberg. So, three generations of our family have benefited from our cooperative's development.

The World Bank FINDEX determines that more than 99 per cent of the 81 million Germans and companies have permanent access to adequate financial services, which is an indispensable condition for equal opportunities and the progress of all economic actors. The 972 financial cooperatives (Volks- and Raiffeisenbanken, VR Banken) constitute one of the main pillars of the highly com-

DEVELOPING COOPERATIVES:

Lessons from Quebec province, Canada

By Dr Vo Thi Kim Sa and Gaby Breton

Co-chairpeople, Vietnam Cooperative Enterprise Development

Canada is one of the countries where cooperatives experience strong and sustainable growth. Cooperatives are one of the three economic pillars of Canada, besides the public and private sectors. These three pillars work closely together to support and develop the Canadian economy. Quebec, one of the Canadian provinces, can provide a good example for Vietnam to follow in terms of cooperative development.

This report focuses on three main aspects: (1) Collaboration between regional and sector-based cooperatives is a good approach to develop suitable policies for this sector, and for cooperatives to benefit from such policies, (2) Cooperatives can grow in a strong and sustainable manner if they can receive assistance from both the cooperative federations and the government, (3) The most effective method to help cooperatives is to give them access to capital (similar to giving them a fishing rod), together with training programmes

(teaching them how to fish) and plans to nurture a collaborative attitude (or breeding the fish together).

AN OVERVIEW OF COOPERATIVE DEVELOPMENT IN QUEBEC, CANADA

Cooperatives take up an important position in Canadian society, as 8.4 million Canadians (or 25 per cent of the population) belong to at least one cooperative. Because some people are members of multiple cooperatives, the number of Canadian cooperative members swells to 18 million people. In a recent survey conducted by Cooperatives and Mutuals Canada, 83 per cent of consumers said that they prefer to buy goods from cooperatives rather than from private companies.

In 2013, Canada had 8,042 cooperatives across 10 provinces and three self-governing regions. These cooperatives provide jobs for 614,000 citizens, or 3.8 per cent of all working Canadians. The job growth rate at cooperatives is 8.6 per cent per annum, compared to the national rate of only 1.8 per cent. Cooperatives whose assets reach \$26 billion generate a revenue of \$43.2 billion, or 3.4 per cent of the entire GDP of Canada. The Canadian

economy grew by 3.3 per cent, while cooperatives alone expanded by 8.7 per cent.

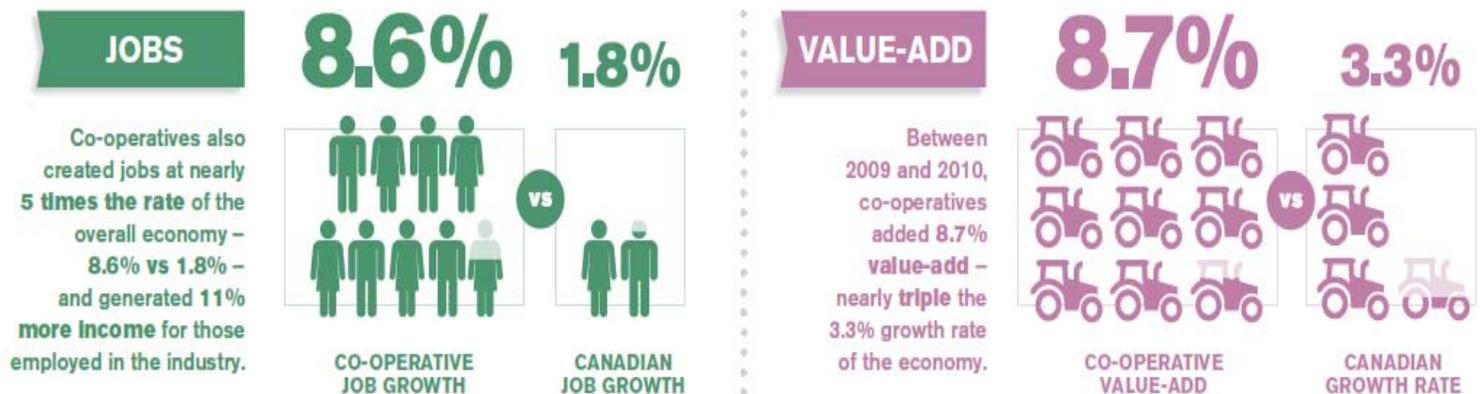
Quebec is the most prominent example of successful cooperatives. The history of development at Quebec's cooperatives provide a good lesson on how cooperatives can meet the different needs of members, overcome competition, and respond to economic and societal demands.

The first cooperatives, which were mutual insurance organisations, were set up in Quebec in the mid-20th century. The first credit cooperative was established by Priest Desjardins in 1900, followed by various other models.

The *La Coop Fédérée* was set up in 1922. In 2016, the federation became a crucial part of Quebec's agricultural sector, with 70-member cooperatives representing 90,000 farmers. The federation is responsible for \$2.5 billion of assets, not including the assets of member cooperatives. *La Coop Fédérée* employs 18,000 staff members who generated \$9.2 billion of revenue in 2016. Pre-tax profit was \$275 million, including \$55 million in distributable profit for member cooperatives.

In 2013, Quebec was home to 2,895

Co-operatives outperformed the broader economy



cooperatives, or 36 per cent of all cooperatives in Canada. At least 8.8 million people are part of these cooperatives, more than the actual population of the province. 80 per cent of Quebec farmers have joined these cooperatives.

The Canadian government has acknowledged the important role of cooperatives in Canada's socioeconomic development. Cooperatives receive support in setting up, developing a business plan for all members, creating a democratic environment, gaining access to finance, and collaborating with other cooperatives via partnerships or mergers and acquisitions (M&A). In terms of business, cooperatives are treated equally with other business models and do not receive any tax exemptions. Cooperatives are subject to corporate income tax and their members also must pay personal income tax.

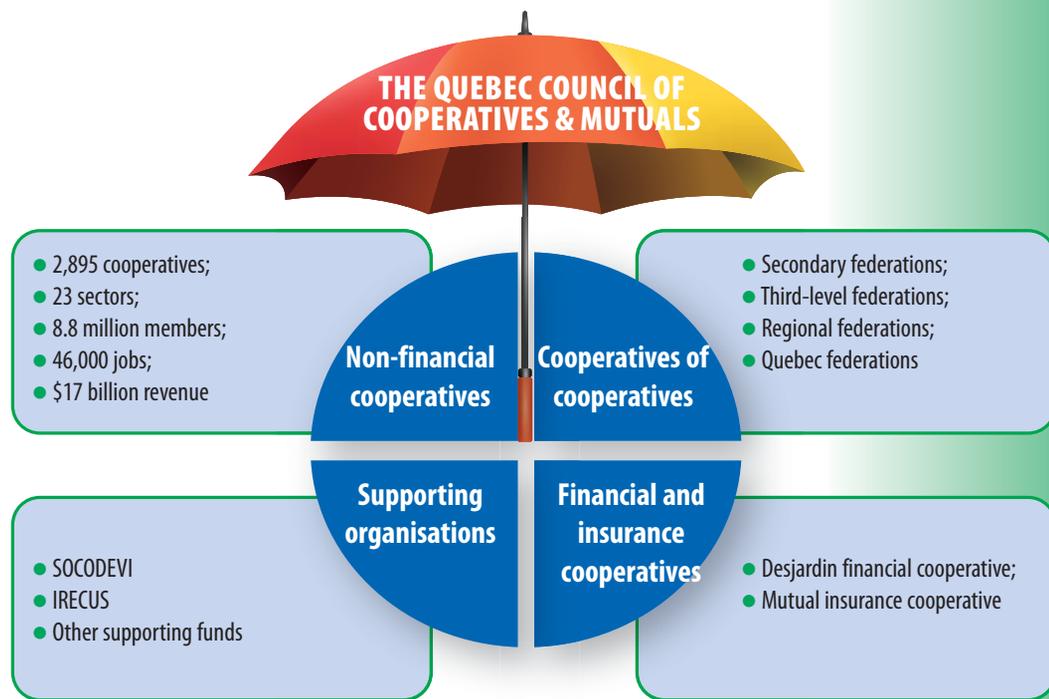
NETWORK OF COOPERATIVES IN QUEBEC

Cooperatives in Quebec are connected based on their geographical location and sectors of operation, in order to create a tight-knit network to boost business activities and their impact on the wider society. The *Conseil Québécois de la Coopération et de la Mutualité* (CQCM) is the umbrella organisation overlooking the entire cooperative system in Quebec and has a similar role to the Vietnam Cooperative Alliance.

In Quebec, cooperatives are set up to respond to specific societal needs in 23 economic sectors. Cooperatives are divided into two main groups (1) Credit and insurance cooperatives, and (2) Non-financial cooperatives (manufacturers, consumers, workers, employees, and associated cooperatives).

Producers' cooperatives provide goods and services for members, so that members can carry out their business activities. These cooperatives provide input (such as materials, equipment, tools, and consulting services), as well as output (manufacturing services, and buyers) for members. This model is popular in agriculture and taxi services.

Consumers' cooperatives provide



goods and services to meet the consumption needs of members. These include real estate, consumer goods, and telecommunications.

Workers' cooperatives are responsible for introducing job opportunities to members in various fields, including woodworking, elderly care, medical emergencies or technical repair.

Employees' cooperatives are set up by employees of the same company, who together buy significant shares of the company they currently work at. This cooperative becomes a major shareholder at the company, representing employees' concerns in the company's overall development, profit distribution, and protecting employees' rights.

Multi-stakeholder cooperatives are a combination of at least two of the above models, for example, a cooperative in which members are simultaneously consumers and employees of a nursery.

Cooperatives in the same sector join each other to create a federation of cooperatives. Cooperatives operating in different sectors, yet belonging to the same geographical area, can join each other to create a regional development network. True to their names, these cooperatives operate similarly to the provincial cooperative associations in Vietnam. The feder-

ations and the regional cooperatives altogether make up the Quebec Council of Cooperatives and Mutuals, representing all forms of cooperatives and all members.

GOVERNMENTAL MANAGEMENT BODIES

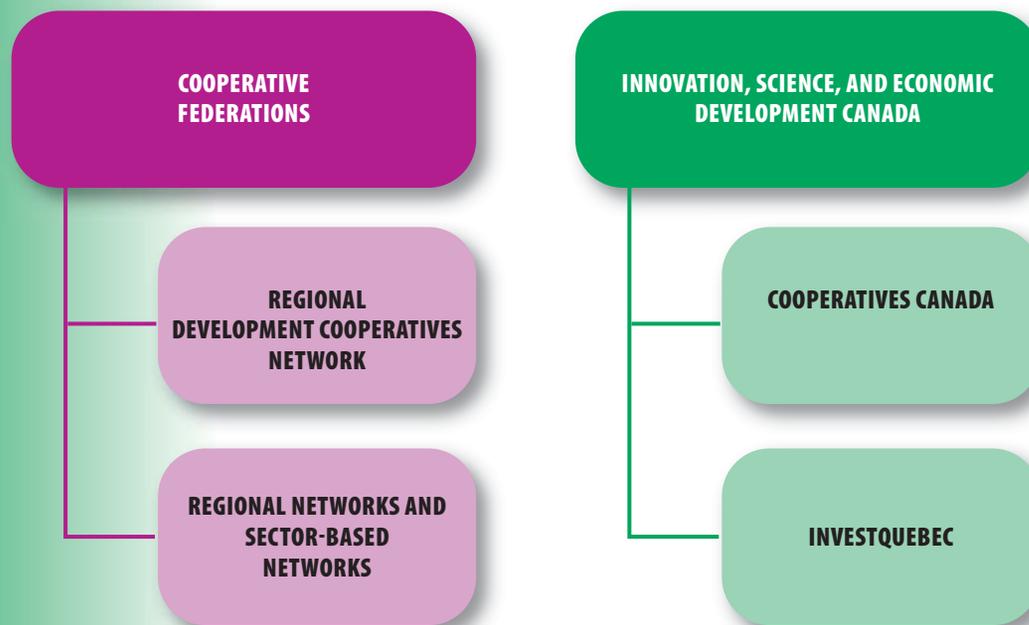
Each province of Canada has a Provincial Cooperatives Act to regulate cooperatives that are based in one province only. The Canadian government also has a Canada Cooperatives Act to regulate cooperatives whose activities span across more than two provinces.

Corporations Canada under Innovation, Science and Economic Development Canada is the only government body that is responsible to develop cooperatives in the country. The division is tasked with recognising and developing cooperatives – a very particular economic model – and honouring international cooperative rules. The main responsibilities of the body are as follows:

- Adjusting the legal framework on



Cooperatives operating in different sectors, yet belonging to the same geographical area, can join each other to create a regional development network.



cooperatives;

- Recognising new cooperatives;
- Carrying out legal consultation and implementation; and
- Developing and monitoring the development programmes of cooperatives.

InvestQuebec, a division under the same ministry, facilitates financial access for cooperatives. InvestQuebec has three main goals in its agenda:

- Helping create jobs in Quebec;
- Promoting investment from within Canada and abroad; and
- Contributing to Quebec's socio-economic development.

InvestQuebec has three main responsibilities: Underwriting credit for cooperatives and mutuals, assisting financial institutions to offer credit to cooperatives, and buying preferential shares from them. In 2016, InvestQuebec has disbursed CA\$41.5 million (\$31.03 million) for 94 cooperative projects, whose total value stands at CA\$254.5 million (\$190.29 million).

INTERPLAY BETWEEN FEDERATIONS AND GOVERNMENT

The Canadian government has different policies for cooperative devel-

opment, based on the situation and needs of each period. The CQCM is responsible for implementing these policies. For example, the development agenda for Quebec's cooperatives between 2015 and 2020 includes the four following objectives: (1) Setting up new cooperatives via technical consultation; (2) Promoting cross-regional and cross-sector collaboration; (3) Assisting struggling cooperatives; (4) Assisting development projects.

The total budget for cooperative development in this period is \$20 million, to which cooperatives contributed 10 per cent. The agenda is performance-based, which means the Canadian government will provide a portion of the budget at the start of the financial year, and the remaining funds at year's end if cooperatives can meet performance requirements.

To boost the effectiveness of support programmes, cooperatives are required to pay part of the training and consulting fees (or the entire fee), dependent on each sector. The cooperatives should pay 10-30 per cent of fees for training and consulting services in developing the Cooperative Charter, promotions, and creating a democratic environment for cooperatives, among

others. The remaining funds will be provided by the government. For setting up business strategies, field studies, market research, project management, financial management, and accounting, each cooperative must pay service providers in full. This will prompt cooperatives to choose high-quality suppliers. To boost their autonomy, cooperative federations must improve their services and develop new ones that can meet the requirements of each member. The federations must work closely with each member to monitor their progress and detect any challenge that the members may encounter, then providing suggestions and assistance. Moreover, data that federations collect from the cooperative network will help them adjust the development agenda in the next period.

Thanks to these programmes, the Canadian government only assists cooperatives in developing fairness, camaraderie, and democracy within the cooperative sector. Cooperatives are held responsible for their own business activities, including profits or losses. This ensures the government is not biased against or for cooperatives, at the expense of other business models.

PROMOTING COOPERATIVE SPIRIT IN YOUNG PEOPLE (UNDER 35 YEARS OLD)

The government is also focused on creating a good environment for cooperatives to do business. One of this is fostering the cooperative spirit over a long period of time, especially among young people between five and 35 years old. Young people are encouraged to develop their strengths, follow their passions, and respect rules for a better future.

The "Together towards Success" programme, devised by Quebec Council, is now part of the middle school curriculum in Quebec. Students are taught to collaborate and foster their teamwork spirit, which are important skills for cooperatives.

The "Youth Co-op" programme is aimed at older students (aged 11 and

above). Each group of three students is encouraged to set up a demo cooperative that includes business strategies, market research, feasibility studies, budget, and goals that follow current laws.

This programme strives to introduce the cooperative model to teenagers in a practical manner. The students are taught responsibility and their rights as business owners, citizens, consumers, and collaborators. The Quebec Council will assess the feasibility of the students' demo cooperative, and if these plans make the cut, the students will receive financial assistance to implement their ideas under the supervision of teachers and the council. When the plan is

finished, the council once again assesses the effectiveness of the students' demo cooperative and officially recognises successful plans. This is a great opportunity for adolescents to experience the cooperative environment and business strategies.

CONCLUSION

The Quebec government is focused on nurturing the cooperative spirit in young citizens. The demo programmes are a crucial training ground for Quebec students to foster their teamwork skills.

Cooperatives are distinct from other forms of business. When setting up cooperatives, the founders have chosen to balance the characteristics of a company

and a voluntary organisation. The government only assists cooperatives in developing fairness, camaraderie, and democracy within the cooperative sector. Cooperatives are held responsible for their own business activities, including profits or losses. This ensures that the government is not biased against or for cooperatives, at the expense of other business models.

Cooperatives can grow in a strong and sustainable manner if they can receive assistance from both the cooperative federations and the government. However, they can only thrive if their own business results are good. This approach encourages cooperatives to be innovative and self-reliant.



Cooperatives are treated on equal grounds with other business forms

Making cooperatives a sustainable part of Vietnam's economic miracle

Over the past decades, cooperatives have been playing a great role in boosting Vietnam's socioeconomic development. However, in order to meet the new requirements of the economy, cooperatives must be renewed. Consultant **Nguyen Thi Loan** writes about solutions to ensure the sustainable development of this economic sector.

POTENTIAL OF COOPERATIVE SECTOR

Cooperative is a collective economy model which has become popular across most sectors of the economy. The cooperative movement plays an important role in the economic, political, and social climate of each nation.

Under a survey conducted in 2017 by Governance for Inclusive Growth (GIG) funded by the United States Agency for International Development (USAID) and implemented by the Vietnamese Ministry of Planning and Investment's (MPI) Agency for Cooperative Development, as of 2015, there were more than 2.4 million cooperatives in the world, with over one billion members. The number of these members tripled the number of direct stakeholders in businesses.

The three hundred largest cooperatives in the world have an annual revenue of \$2.2 trillion.

In Vietnam, the cooperative movement took shape in the 1940s, with the first cooperative established in 1948 under the name of Democracy Glass Cooperative.

Since then, cooperatives in the country have undergone ups and downs, following the nation's socioeconomic

development.

Especially, they have been transformed from old-fashioned cooperatives operating under a centrally-controlled mechanism to modern cooperatives operating under the Law on Cooperatives.

Cooperatives' activities have helped develop the household-based economy, forging links among households in cooperatives and among production establishments. This has helped create employment for labourers.

Cooperatives have also helped educate people and enhance moral and cultural values, while strengthening solidarity and mutual support among people. These special traits have helped cooperatives survive and develop over the past decades.

In 2017, the review of the implementation of the Law on Cooperatives was one of the priorities of the government, aiming to assess what has been done and what failed to be done, and then draw lessons about leadership and management, with actions and solutions taken to implement the law in the future.

COOPERATIVE DEVELOPMENT IN VIETNAM

Under GIG, a survey was conducted in a number of cities and provinces, including Hanoi, Ho Chi Minh City, Lai Chau, Yen Bai, Phu Tho, Bac Giang, Nam Dinh, Ninh Binh, Binh Thuan, Long An, and An Giang about cooperative development and the implementation of the Law on Cooperatives 2012. This was

aimed to help policy-makers find the next steps to further develop cooperatives.

The law was adopted by the National Assembly on November 20, 2012, and took effect on July 1, 2013. The government has enacted incentives with a view to assisting the development of modern cooperatives.

Cooperatives and cooperative unions have gradually been renewed in terms of organisation structure and operational modes, laying an emphasis on the fact that they are self-reliant economic organisations, providing employment for members and contributing to national socioeconomic development. They have also become an important part of the economy.

By late 2016, Vietnam had 19,884 cooperatives and 51 cooperative unions. Some 3,755 of these cooperatives were newly-established and nearly 80 per cent were re-registered to operate under the law. There were then 5,367,650 members, up 12.87 per cent against 2013.

The number of cooperatives operating effectively accounted for 22 per cent of the total, up 33 per cent against 2013. The average revenue of each cooperative was VND4.326 billion (\$188,000) per year, up 28 per cent compared to 2013. Each cooperative had an annual average profit level of VND304 million (\$13,217), up 32 per cent against 2013. The average income for each cooperative member was VND43 million (\$1,869) per year, up 65 per cent compared to 2013.

Cooperatives in a number of cities and provinces had substantial annual revenue, with Ho Chi Minh City hitting VND27 billion (\$1.17 million) per cooperative, Tien Giang VND25.953 billion (\$1.13 million), and Binh Thuan VND10.338 billion (\$499,478).

The average profit of cooperatives also



In 2017, the review of the implementation of the Law on Cooperatives was one of the priorities of the government.



The government's incentive policies have helped thousands of cooperatives overcome their difficulties

increased against 2013, in places like Bac Giang, Ho Chi Minh City, An Giang, Yen Bai, and Binh Thuan which saw an average rise of VND200-700 million (\$8,695-30,434).

The highest income of cooperative members was VND60 million (\$2,608) per year in Bac Giang province.

Cooperatives have generated stable employment. On average, each cooperative employed 38 full-time workers and 52 part-time employees. The members also enjoyed social and health insurance.

The government's incentive policies have helped lift thousands of cooperatives out of difficulty and train human resources. For example, in the 2013-2016 period, primary and immediate training was provided for 13,325 managers, and college and university training was given to 9,337 managers. Some 1,029 cooperatives were assisted in developing brand names and attending exhibitions and

fairs. Some 50 out of 63 cities and provinces had their own cooperative support funds, which financed 5,006 cooperatives with VND693.4 million (\$30,147). Some 16,849 cooperatives were established and re-organised under the 2012 law.

Cooperatives have diversified their activities to serve their members and localities. Almost all cooperatives have at least 5-11 types of products. Some 64.7 per cent of these cooperatives provide services on breeding, fertiliser, pesticide, and animal medicine. Some 18.3 per cent offer credit services, while 14.4 per cent provide irrigation services. Many cooperatives also provide services about transportation, employment, environmental hygiene, electricity, and water supply.

In fact, there are many typical cooperatives operating well. Specifically, Thong Nhat Cooperative in Hanoi has 12 types of

services. The Tho Nghiep people-oriented credit fund in Nam Dinh province with the total capital of over VND93 billion (\$4 million) has provided loans for thousands of members to conduct business and production. The Employment Service and Trade Cooperative in District 5 of Ho Chi Minh City provides a wide range of services for its members. Meanwhile, Dien Nang Vinh Lai Agricultural Service Cooperative in Phu Tho province has mobilised more than 2,000 members to combine their 20,379 small-scale land plots into 6,450 large-scale plots in order to conduct agricultural mechanisation, as well as increase revenue and profit for cooperatives and their members.

Besides, there are also a number of cooperatives with exemplary production connectivity and product consumption among businesses, cooperatives, and farmers, such as Long Dien I Agricultural

Service and Business Cooperative in Binh Thuan province, Lua Vang Service and Agricultural Cooperative in Bac Giang province, the model of tea production cooperation between Hung Think Corporation in Yen Bai province's Yen Bai city and Tan Huong Tea Cooperative and Truong Xuan Cooperative of Yen Bai, and Dien Nang Vinh Lai Agricultural Service Cooperative in Phu Tho.

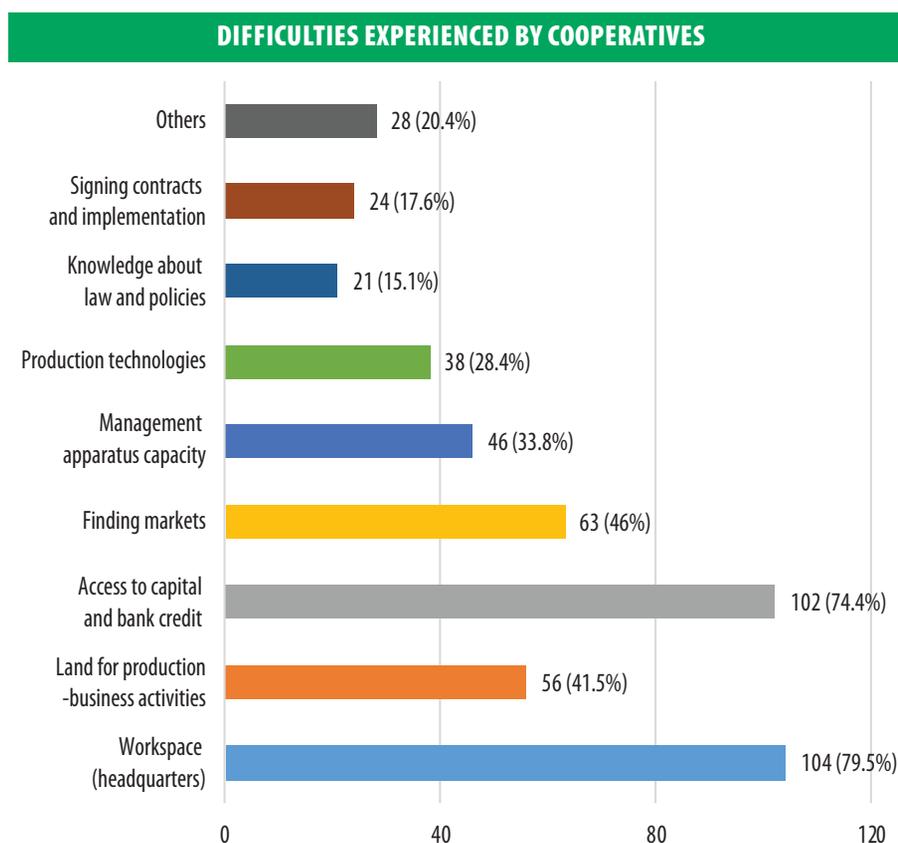
However, all these results have yet to match the potential and requirements of the renovation of cooperatives under the Law on Cooperatives 2012. There have not been many overly successful cooperatives that could be used as a model to copy nationwide. The number of weak cooperatives remains large (15,526 cooperatives or 78 per cent of all cooperatives nationwide). As of late 2016, about 13 per cent of cooperatives had yet to be re-registered under the law. The scale of cooperatives in general remains small, with weak financial capacity, making it very difficult for cooperatives to compete in the market.

Besides, the average age of cooperative managers is high, exceeding 55 at the moment. The majority of them are working based on experience without training. This has made it hard for them to improve themselves and catch up with market developments.

Furthermore, though some incentive policies have been enacted by the government, they have yet to be implemented due to a lack of resources. A recent survey conducted over 154 cooperatives showed that only 10.3 per cent of cooperatives could approach land incentives, only 7.8 per cent could access credit incentives, and merely 11 per cent could access loans. In general, cooperatives cannot expand business and production due to difficulties in accessing loans, as they do not have many assets to use as collaterals.

SOLUTIONS

Based on reviewing the implementation of the Law on Cooperatives 2012, consultants have proposed a number of solutions which can help further the sustainable development of cooperatives.



Source: Survey 2017, GIG project – Ministry of Planning and Investment

First, to provide sufficient loans for cooperatives and cooperative unions, the government needs to revise the policy to help cooperatives to approach loans. Specifically, credit organisations must be allowed to provide loans for cooperatives based on the cooperatives' business and production schemes or economic contracts, and based on the cooperatives' guaranteed and audited financial reports in the past three consecutive years.

Second, the government should consider the revision of the policy on granting and leasing land to cooperatives, exemption and reduction of rental of land and water surface for cooperatives and agricultural cooperative unions. Besides, the government needs to direct cities and provinces to create favourable conditions for cooperatives to obtain land title deeds and papers related to land-based asset ownership, so that the cooperatives can take the initiative in conducting business and production. Localities have to closely supervise the use of land and water surface of cooperatives.

Third, it is necessary to provide frequent professional training for cooperative managers, whose capacity is currently limited. Consultants can help in this job. Besides, it is also needed to encourage universities and colleges to establish majors in cooperative economic issues, which can create human resources for cooperatives in the future. The MPI needs to cooperate with the relevant ministries and agencies to create unified training curricula for cooperative managers.

Fourth, the government should enact mechanisms to support cooperatives and enterprises in investing technologies in business and production, especially in relation to linkages in production and the consumption of the products of cooperative members. Besides, cooperatives and their members should be allowed to contribute capital through the right to use water surface and land area.

Enterprises can invest into technology and product consumption, while cooperative members can be given vocational

training, partake in production, and then be paid. Profits are then allocated based on respective contributions of investment capital.

It is necessary to complement policies on market development, by for example the improvement and effective operation of a domestic and overseas market information system for cooperatives and enterprises.

Cooperatives and enterprises should be provided with free-of-charge support in building their websites to introduce services and products. These websites can be integrated into an e-portal featuring both Vietnamese and foreign languages.

Besides, cooperatives should be given assistance in fees to obtain certificates under the VietGAP scheme. Cities and provinces, in addition, need to have mechanisms and policies to encourage and support cooperatives in developing large-scale rice fields and partaking in

high-tech large-scale goods production chains.

Fifth, cooperatives' and cooperative unions' accounting and financial activities are rather weak, because governmental Decree No.193/2013/ND-CP only encourages them to conduct internal auditing, not independent auditing in order to help cooperatives maintain transparent finances and improve their capacity.

Independent auditing should be made compulsory. However, as the majority of cooperatives maintain relatively small finances, if this independent auditing is stipulated immediately, the cooperatives will not be able to meet this regulation. Thus, there should be a roadmap for application. For example, cooperatives and cooperative unions should be encouraged to conduct internal auditing within two years from the time the revised Law on Cooper-

atives takes effect. After these two years, internal auditing will become mandatory, with specific sanctions applied to violators.

Sixth, localities should not intervene too much in cooperatives' operation by appointing leaders, developing of production and business schemes, and allocating profit. This is aimed to ensure control and responsibility stay with cooperatives, and ensure a fair business climate for cooperatives and cooperative unions to develop and compete.

And last, it is necessary to strengthen the dissemination of the Law on Cooperatives 2012 and the government's policy incentives available for cooperatives among all stakeholders. Especially, lessons and experience from successful new cooperative models must reach more ears. This will spur public support for the development of cooperatives.



Several policies have been issued but cooperatives lack the resources and proper access to these incentives



Improving supporting policies for forestry cooperative development

By Pham The Tan

Senior expert, Vietnam Forestry Science Institute

In Vietnam, the cooperative model is considered an effective means to organise and manage production in forestry as it involves low-cost and simple procedures for the establishment and management of organisations. The Vietnamese government has enacted a raft of incentive policies in order to boost the development of forestry cooperatives. The development of this type of cooperatives, however, has encountered multiple challenges as existing policies have exposed limitations, falling short of the cooperatives' actual demands.

This article strives to scrutinise the current operation of forestry cooperatives and leverage policy enforcement to seek urgent and viable policy

measures in an attempt to bolster the quality and operational efficiency of Vietnamese forestry cooperatives in the future.

REAL STATUS OF FORESTRY COOPERATIVES

The development of the collective economy, with cooperative development at its core, has been a consistent policy of the Party and the government during the whole cause of national construction and development. This policy was clearly and concretely reflected in the Political Creed to build the nation in the transitional period towards socialism and in diverse other documents of the Party and the government.

In the past years, a raft of incentive and supporting policies were enacted to push up cooperatives' development, making important contributions to improving economic efficiency, stabilising

production, and creating more and more jobs for labourers. In the field of forestry, cooperative-based production models are regarded as an effective measure in the organisation and management of production as it requires low expenses and relatively simple procedures throughout construction and operation.

Forestry cooperatives play an increasingly important role in the supply of input materials (seeds, and fertilisers) and output services (buying materials, consuming wood products) for their members as well as providing production and forestry trading services to outsiders.

Albeit the number of forestry cooperatives in Vietnam remains modest (151 units in 2015), effectively-running models have been reported in growing numbers with the capacity to meet international integration requirements. These forestry production and trading models have

made efforts to adapt to climate change implications and conform to the due diligence requirements of the international community in the future, such as the Voluntary Partnership Agreement on Forest Law Enforcement, Government and Trade (VPA/FLEGT) Vietnam has signed with the EU.

However, problems persist in the development of forestry cooperatives in the past years. Besides a modest number of effectively-running units, most of these cooperatives have reported low operational efficiency and lack competitiveness.

From 2012, Vietnam has embraced agricultural restructuring with enhanced added value, gearing towards sustainable development. The measures to foster agricultural restructuring include measures on cooperatives' development and promoting cooperatives and linkages based on value chain among businesses, cooperatives, and family households. Many cooperatives, however, have revealed limitations, falling short of the forestry cooperatives' actual requirements.

ACTUAL OPERATION AND MANAGEMENT

As for the number and organisation format: Figures by the Ministry of Agriculture and Rural Development (MARD) show that as of November 2015 Vietnam was home to 151 forestry cooperatives out of a total of 10,897 cooperatives operating in diverse fields in the agricultural, forestry, and fisheries fields. General trading cooperatives accounted for the lion's share with 74.25 per cent.

Most forestry cooperatives operate under a single-system mechanism consisting of a Management Board with three members (one chairman, one deputy chairman, and one member), and a cooperative Supervisory Board with two members.

The Management Board is supported by an accountant, a cashier, and several service teams. The accountant is often a cooperative member, but in fact many cooperatives have hired seasonal accountants as they have few activities or want to save on costs.

As for manager qualifications:

According to figures by the MARD's Department of Cooperative Economy and Rural Development, only 11.3 per cent of personnel in the Management Board have graduated from colleges or universities, and 12 per cent of cooperative chairmen have bachelor's degrees, whereas most Management Board members did not join any professional training courses before taking on the position.

The qualifications of most management cadre at forestry cooperatives are generally low, failing to meet development requirements in the current market economy.

As for cooperative assets: The most valuable assets of cooperatives are mainly the headquarters; land and the infrastructure works assigned to their use and management such as ponds, dams, pumping stations; transport means, machinery, and equipment; as well as

warehouses. The asset value of most cooperatives is low, as many of their assets do not even have ownership certificates, making it difficult for cooperatives to mortgage these assets at banks to secure loans.

As for service provision: Besides supplying several public services, such as forestry extension, plant protection or fire prevention and treatment, forestry cooperatives have engaged in providing other services to serve production and business activities such as supplying input materials (breeds, fertilisers or pesticides); providing soil-working services, processing and sale of products; or labour supply. Almost all forestry cooperatives supply services to both members and outsiders. Survey results by the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD) in 2015 showed that 63.6 per cent of forestry



It is necessary to support investment in forestry infrastructure to facilitate cooperatives' operations



cooperatives have provided less than 32 per cent of their total service supply to outsiders, and the remaining 36.4 per cent provided more than 32 per cent of their total service supply to outsiders. IPSARD survey results indicated that Decree No.193/2013/ND-CP, which requires forestry cooperatives to provide less than 32 per cent of their total service supply to outsiders had caused difficulties to the operations of cooperatives, as in fact the cooperatives should ensure operational and financial efficiency first, and only then should they boost service supply to outsiders.

POLICY INCENTIVES

Credit incentives: IPSARD survey results in 2015 also show that only 6.7 per

cent of cooperatives operating in agriculture, forestry, and fisheries have access to credit sources from banks. Cooperatives often receive small and short-term credit packages from banks. Albeit Decree No.41/2010/ND-CP allows banks to provide secured loans up to VND500 million (\$21,700) to each cooperative, in fact, cooperatives could hardly receive loans to that amount due to a number of reasons such as ineffective operations with low profit, lack of feasible business plans, or not having valuable assets to offer as collaterals to the banks.

Some cooperatives could borrow from cooperative support and development funds which offer preferential interest rates with simple procedures, but the funds are often small and cannot

cover cooperatives' development requirements. About 30 cities and provinces have established cooperative support and development funds under the management of provincial-level cooperative unions.

Land incentives: Survey results also show that existing policies on land allocation to agricultural, forestry, and fisheries cooperatives reflect many limitations, mainly because many localities do not have a separate land fund earmarked for collective economy development; on the other hand, many cooperatives which were allotted land parcels still did not acquire land use certificates, mostly due to complex procedures.

Tax incentives: In light of the Law on Corporate Income Tax 2012, cooperatives are eligible to 10 per cent preferential corporate income tax (CIT) rate for income derived from activities in the fields of agriculture, forestry, and fisheries. To receive the incentive, cooperatives must have a clear and transparent accounting system. The accounting systems of many cooperatives, however, remain weak, barring them from eligibility for the preferential tax rate.

Policies to support the establishment and restructuring of cooperatives: The Law on Cooperatives 2012 requires cooperatives to re-register their operations. Forestry cooperatives, however, found it hard to change themselves to fit the requirements of the law due to a number of reasons, such as the lack of people to support them in the transformation process, lack of guiding documents to help the enforcement of the law, or difficulties in meeting requirements set in the law such as the requirements on capital contribution among cooperative members or the rate of services supplied to outsiders.

Some cooperatives, albeit inoperative for many years, could not complete procedures to be dismantled due to issues like failing to collect debts from members and customers.

Support policy on training: Existing training policies can only support a limited number of cooperatives, mainly



through providing short-term courses to cooperative managers. Training activities basically cannot meet the actual demand due to the limited budget as well as unsuitable training content and methods.

Support policy on trade promotion and market expansion: Current activities in this field are limited both in number and quality. Each locality can only support 3-5 cooperatives. Support policies in this field have only been focusing on supporting cooperatives to take part in exhibition fairs, showrooms, and dialogue sessions, while lacking support mechanisms to boost linkages between cooperatives and firms to stabilise output market, support in building brands or in the application of science-technology to processing activities to enhance the added-value of products.

GRADUALLY IMPROVING POLICIES

Amid the practical difficulties forestry cooperatives face, this article seeks to recommend several policy proposals aiming at bolstering forestry cooperative development.

First, the government needs to help cooperatives to access preferential loans at home and abroad, while simulta-

neously allowing cooperatives to collateralise the assets that might be formed by using loans from commercial banks. The assets to be established in the future based on loans might include machinery and equipment to feed production, land, grown forests or workshops, among others.

Second, investment needs to be continued into forestry infrastructure to support forestry cooperatives in growing and taking care of forests following sustainable forestry practices in order to acquire product quality certificates and making it easier to trace the origin of wood products to become conformable to the requirements set by the VPA/FLEGT in the future.

Third, the government needs to push up the transformation or dissolution of underperforming forestry cooperatives through presenting documents, processes, and procedures guiding dissolution, registration, re-registration, and re-organisation to begin operation in light of the Law on Cooperatives 2012.

Fourth, the capacity of cooperative managers and cadre needs to be enhanced through providing training courses; providing training courses on cooperative

management, financial management, market analysis, and establishing sustainable production-business plans.

Fifth, the state needs to present incentive policies to help forestry cooperatives boost the supply of services to serve the production of members and outsiders through amending Decree No.193/2013/ND-CP to fit the actual development situation; providing financial support to help cooperatives build up brands and acquire product quality certificates in the initial stage, supporting cooperatives to engage in the value chain (particularly prioritising linkages with businesses to boost product consumption).

Sixth, funding sources need to be diversified to support cooperatives in printing labels and packaging in order to commercialise their products; supporting cooperatives to participate in marketing programmes and trade fairs to increase exposure of their products to domestic and foreign customers.

Seventh, propagation and emulation activities about successful individuals and cooperative models in forestry need to be stepped up to boost the cooperative development movement.

Expanding net of agri-cooperatives across length and breadth of Vietnam

Efforts are being intensified to reach the ultimate goal of having in place 15,000 effective agricultural cooperatives by 2020. **Nhu Chinh** reports.

The Government Office recently presented the conclusions of Deputy Prime Minister Vuong Dinh Hue at the national online conference on the implementation of the government's Decree No.98/2018/ND-P and the prime minister's Decision No.461/QD-TTg on the development of 15,000 effectively operating cooperatives and cooperative unions and linking the production and consumption of agricultural products.

THE IMPORTANT ROLE OF COOPERATIVES

The deputy prime minister's conclusion rules that cooperatives play an important role in the national socioeconomic development cause. In the past years, although difficulties remain, many cooperatives have been running effectively, creating more jobs, helping to raise the incomes of their members and labourers, and making increasing contributions to the state budget (equal to 5.6 per cent of the GDP). Until now, the collective economy, with cooperatives at its core, has gotten rid of long-standing weaknesses and began to flourish, particularly in the field of new cooperative setups in 2017 and the first six months of 2018.

The assessment shows that more than 46 per cent of agricultural cooperatives were operating effectively in 2017, laying down the foundations for Vietnam to reach the target of establishing 15,000 effective agricultural cooperatives by 2020.

Besides achievements, many weaknesses were exposed in the quality of cooperatives' operations. The incomes of cooperatives and their members were generally low, leading to hesitation among people to participate.

The scale and structure of cooperatives were also proven ineffective as many cooperatives had



Vietnam aims to have 15,000 agricultural cooperatives operating effectively by 2020

too many members mainly providing input services. Besides, due to loose linkages, cooperatives cannot fulfil their intended roles in the lives of their members.

To ensure the effective implementation of the project on developing 15,000 effective agricultural cooperatives, DPM Hue underlined the need to raise awareness about the importance of the project, as the development of cooperatives must be linked to agricultural restructuring, streamlining production, and promoting linkages with businesses to boost the value of agricultural products, from there helping local farmers to mitigate risks, enlarging the role of the collective economy, and fostering the links between farmers in cooperatives and the state, businesses, and the academia.

Sectors and local government agencies at all levels need to support the development of cooperatives through policies and mechanisms. Improving the quality of cooperatives' operations must also be a development priority.

Stakeholders need to pass up on fishing for achievements in the development of modern urban areas by setting up poorly-formed cooperatives and should instead provide support so

that cooperatives can do a smart job when supplying services, through which they can benefit cooperative members, showcasing their effectiveness through each successful farmer member and household.

PERFECTING LEGAL FRAMEWORK FOR THE COLLECTIVE ECONOMY AND COOPERATIVES

The deputy prime minister also ordered more heavy-handed treatment for underperforming cooperatives. Accordingly, ill-performing units must either be dissolved, improve their operations or change to other business formats.

Simultaneously, measures must be taken to consolidate and improve the quality of operations at agricultural cooperatives that are running effectively, striving to set up and facilitate the operation of agricultural cooperatives engaged in the major economic sectors of the country and link communal and village-based specialty products to different regions' distinctive advantages.

DPM Hue assigned the Ministry of Agriculture and Rural Development (MARD) to soon finalise the plan to enforce Decree 98 and



Modern cooperatives are taking a far greater role in the Vietnamese agricultural sector

Decision 461 on setting up 15,000 effective agricultural cooperatives in Vietnam by 2020.

The work includes devising and implementing priority projects and plans consisting of the following activities: developing high-tech cooperatives producing and consuming agricultural products; linking in the production and consumption of agricultural products between cooperatives, cooperative unions, and businesses; and boosting the production and management capacity of agricultural cooperatives through overseas vocational training with capital mobilised from the society.

The task also includes streamlining underperforming agricultural cooperatives in the Red River and north-central delta regions and establishing and overseeing the operation of associated financial institutions. During implementation, it is necessary to send periodical review and summary reports to the government and the prime minister to be able to tackle arising problems in a timely manner.

The MARD and relevant ministries and sectors need to provide instructions to enhance linkages among all for the development of both domestic and export markets, helping to boost the consumption of farmers' products.

As for resources, it is important to mobilise state funding via national programmes and

projects, while at the same time raising capital from other sources, particularly bank credit to provide loans to cooperatives. In respect to collaterals, the assets to be formed from investment projects and other assets of cooperatives shall be accepted as collaterals, allowing them to take up loans.

Credit guarantee funds for small- and medium-sized enterprises (SMEs) need to also provide services to agricultural cooperatives, whereas commercial banks shall be encouraged to increase lending to farmers, as well as agricultural and rural development.

The Ministry of Planning and Investment and the Ministry of Finance shall make proposals and strive to balance capital sources to support agricultural cooperatives based on the assigned tasks in Decision 461.

In light of Decree 98 and Decision 461, the municipal and provincial people's committees need to review local development plans to ensure conformity with the targets and tasks set in the 15,000 agricultural cooperative development strategy, from there establishing action programmes and plans for implementation.

Supplementing development resources, particularly by utilising resources from national target programmes, centrally and locally-governed projects and programmes, as well as

ensuring the effective implementation of the cooperative development plan is also important. The ultimate goal is not only to boost the value and income of cooperatives, but also to help each cooperative member to raise their income.

Other tasks include providing cooperatives with the appropriate locations to set up head offices and necessary infrastructure to operate production and business activities, and to become eligible to take up loans.

Cooperative groups shall be supported to grow into cooperatives, in parallel to fostering the checking, inspection, and supervision of cooperatives' operation to provide timely amendments and instructions.

As improving the quality of human resources is a top factor in cooperatives' development, the MARD needs to guide the Vietnam National University of Agriculture (VNUA) to join hands with the training facilities under the Vietnam Cooperative Alliance to foster training in cooperation with local authorities. The goal is to better the management capacity of agricultural cooperatives' employees.

Besides training, it is necessary to increase support and send young, capable staff to work at cooperatives, as well as encourage cooperative members to participate in overseas study to improve their qualifications.

State reinforces support programme to help agricultural cooperatives grow

By Nhu Chinh

Efforts are being intensified to bolster linkages and cooperation in agricultural production in rural areas.

The Vietnamese government has recently enacted Decree No.98/2018/ND-CP governing policies to encourage the development of cooperatives and the creation of linkages in the production and consumption of agricultural items.

In light of the decree, cooperation and linkages in the production and consumption of agricultural products is defined as voluntary investment, production, and consumption of agricultural products between farmers, individuals, cooperatives, and businesses (commonly referred to as stakeholders) in order to improve production efficiency and the quality of agricultural products.

SUPPORTING CONSULTANCY EXPENSES FOR BUILDING LINKAGES AND INFRASTRUCTURE

The decree stipulates that the state budget will provide up to VND300 million (\$13,050) to shoulder consultancy expenses, including consultancy and research to establish linkage contracts and projects as well as projects and plans on production, business, and market development.

The government will finance 30 per cent of the investment capital to acquire machinery and equipment for linkage projects to build infrastructure works, including workshops, warehouses, and holding yards serving the production, semi-processing, preservation, production, and consumption of agricultural products. The total supporting fund must not exceed VND10 billion (\$434,800).

This kind of support is applied to the plans, programmes, and projects belonging to the national target programme on new rural development, the programme on agricultural economic restructuring, the natural disaster prevention and mitigation programme, and the programme on stabilising people's lives. The funding might also derive from other legitimate projects and programmes.



The government supports agricultural cooperatives with 30 per cent of capital investment into equipment and infrastructure construction to establish linkages

CONDITIONS TO RECEIVE SUPPORT

In light of Decree 98, to receive state support, the stakeholders need to satisfy the following conditions:

1. Projects and programmes match the socioeconomic development planning of related localities;
2. Having certificates or commitments to be conformable to existing regulations on product quality standards, food safety, quarantine and environmental protection standards;
3. Ensuring durable linkages: for agricultural products with a breeding and planting cycle of one year or more, the time for cooperation must be at least five years, while those of less than one year, the time for cooperation must be at least three years; and
4. Having linkage projects or proposals approved by authorised management agencies.

AGRICULTURAL EXPANSION AND TRAINING

Aside from capital support for building linkage infrastructure, the stakeholders will receive state capital support to develop agricultural expansion models as well as to provide vocational and technical training and improve management expertise, production skills, contract management, chain management, and market development capacity (training and capacity improvement programmes).

They will be also eligible for support in

accessing supporting in seeds and breeds, materials, packaging and product labels for no more than three crop seasons or three production cycles through cooperatives' services. The government will also support at most 40 per cent of the expenses for the transfer and application of new science and technology processes, applying chain-based integrated quality control and technical processes.

The funding, support level, and support mechanisms for building agricultural extension models as well as training and capacity improvement programmes shall be implemented in light of regulations on agricultural extension projects and programmes as well as the programme on agricultural vocational training for rural labourers, improving human resources for cooperatives, and funding sources from other legitimate projects and programmes.

Meanwhile, the funding, support level, and mechanism for the other activities outlined above shall be implemented in compliance with regulations in the National Target Programme on New Rural Development and funding sources from other legitimate projects and programmes.

High-technology challenge: making or breaking agricultural cooperatives

By Anh Vu

The target of having in place 500 high-tech agricultural cooperatives seems hardly achievable since the cooperatives are not only starved of capital, but also lack quality human resources, land bank, and access to market information.

The issue of agricultural cooperatives having applied high-technology into the production and consumption of agricultural products was high on the agenda of a recent conference on trade promotion, technology, and capital attraction to the development of Vietnamese cooperatives.

Experts warned that if they lag behind in high-tech, agri-businesses could hardly survive, let alone prosper, in Industry 4.0.

Vietnam was home to a total of 54 cooperative unions by the end of 2017, a 7.4 per cent jump on-year, mainly operating in the fields of agriculture and trade. There were 19,569 cooperatives with more than 6.2

million members across the country, according to the Ministry of Planning and Investment's (MPI) Agency for Cooperative Development.

These included 11,668 agricultural cooperatives. Only 1.6 per cent of them, 193, were reported to have engaged in the application of high-technology, including 155 planting and forestry, 18 husbandry, and 20 fisheries cooperatives.

High-tech cooperatives have mainly been operating in the production of safe vegetable and fruits, seedlings, flowers, and mushrooms;

raising chicken, pigs, dairy cows, and aquaculture; as well as processing and preservation of agricultural products.

The localities taking the lead in the number of high-tech cooperatives were Lam



If cooperatives continue to apply outdated technology, they will find it difficult to stay afloat in the 4.0 era

Dong (36 cooperatives), Long An (14 cooperatives), Hanoi (13 cooperatives), and Ho Chi Minh City (11 cooperatives).

Most of these cooperatives have applied technology during the production phase. The Department of Cooperatives and Rural Development under the Ministry of Agriculture and Rural Development (MARD) has set out the target of having in place a total of 500 high-tech agricultural cooperatives by 2020, with 60 per cent (about 300 cooperatives) positioned in the country's major commodity-based agricultural production areas such as the Mekong Delta, the Red River Delta, the Central Highlands or the satellite urban areas contiguous to Hanoi and Ho Chi Minh City.

Other cities and provinces need to have at least three high-tech agricultural cooperatives each.

The Vietnam Cooperative Alliance (VCA), however, stated that local agricultural cooperatives are in fact beset by mounting challenges threatening their very survival. They are not only starved of capital, but also lack

land banks to access high-technology and apply it on a large scale. They are also short of information, especially tech market updates, and more importantly, quality human resources to work in cooperative management and governance.

Capital shortages have become a chronic issue for cooperatives. Although the government has enacted Resolution No.30/NQ-CP dated March 7, 2017 assigning the State Bank of Vietnam (SBV) to guide local commercial banks to set aside about VND100 trillion (\$4.35 billion) from their mobilised capital sources to lend to high-tech and green agricultural projects with concessionary interest rates, in fact only a mere 2 per cent of cooperatives could take up loans and most others have to raise investment capital by themselves. Capital paucity has hampered cooperatives' efforts to expand business, as some even face the threat of going bust, while those with ambitions to invest in high-technology are facing multiple hardships.



If they lag behind in high-tech, agri-businesses could hardly survive, let alone prosper, in Industry 4.0.



The Agency for Cooperative Development and DGRV signing the memorandum of understanding

Germany to share three centuries of experience in building cooperatives

By Ky Thanh

In the beginning of 2018, the Agency for Cooperative Development under the Vietnamese Ministry of Planning and Investment (MPI) and the German Cooperative and Raiffeisen Confederation (DGRV) signed a memorandum of understanding (MoU) to support the development of the cooperative movement in Vietnam.

Addressing the ceremony at the MPI's headquarters, Minister of Planning and Investment Nguyen Chi Dung said that in Vietnam, cooperatives make up one of the most important economic sectors that provide services for millions of households and connect their production, promoting higher productivity and higher quality products as well as linking them with enterprises involved in selling, marketing, and processing, especially agricultural products.

Since the Law on Cooperatives 2012 was enacted, the cooperative sector showed positive changes in quality and effectiveness, making more tangible contributions to

Vietnam's socioeconomic development.

"Nevertheless, the development of the cooperative sector remains modest as it has only contributed 4 per cent to Vietnam's GDP. Many cooperatives still produce on a small scale, with low capital and outdated equipment, with great difficulties in accessing the market and joining the value chain," said the minister.

Meanwhile, Germany now has a leading system of cooperatives that makes key contributions to the German economy and the agricultural sector.

Commenting on the cooperation between the MPI's Agency for Cooperative Development and the DGRV, the minister expressed his belief that through valuable experiences and practical and effective support, DGRV will be able to contribute greatly to the development of cooperatives.

He stressed that the MoU not only marks an important milestone in the long-term cooperation between the Agency for Cooperative Development and the DGRV, but also contributes to the development of bilateral

relations between Vietnam and Germany.

Luisa Bergfeld, development counsellor and first secretary of the German Embassy in Vietnam, said that Germany's DGRV is one of the cradles of the cooperative economy model in Europe, with traditions reaching back to the 19th century. Thereby, the DGRV has a mission to support social structures and systems in Vietnam with a focus on building and transforming the cooperatives sector to tackle the roots of poverty.

The DGRV's approach will be implemented in three levels. At the macro level, the DGRV will coordinate with central agencies like the MPI to give advice about regulations, policies, supervision, and implementation activities. At the intermediate level, it will work with the Vietnam Cooperative Alliance, the Cooperative Bank of Vietnam, and the cooperative alliances of the cities and provinces. At the micro level, it will collaborate with cooperatives to assess whether the DGRV's advisory and technical support activities at the macro and intermediate levels are appropriate and effective.

SPECIAL THANKS



German Cooperative and
Raiffeisen Confederation



SAIGON CO.OP

