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**GOVERNMENT OF THE REPUBLIC OF THE UNION OF MYANMAR**

**Formulation and Operationalization of National Action  
Plan for Poverty Alleviation and Rural Development through  
Agriculture (NAPA)**

**Working Paper - 7**

**RURAL COOPERATIVE**

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## ACRONYMS

AVSI	Associazione Volontari del Servizio Internazionale (Association of Volunteers in International Service)
CB Bank	Cooperative Bank
CCS	Central Cooperative Society Ltd
FAO	Food and Agriculture Organization of the United Nations
GEC	Government Employees Cooperative
IRC	International Rescue Committee
LIFT	Livelihoods and Food Security Trust Fund
MIS	Management Information System(s)
NAPA	National Action Plan for Agriculture - or - National Action Plan for Poverty Alleviation and Rural Development through Agriculture
NGO	Non-governmental organization
WHH	Welt Hilfe Hunger

## 1. INTRODUCTION

A review of Myanmar's cooperative sector should begin with a review of internationally recognized cooperative definitions, values and principles. Those cited below have been officially approved by the International Cooperative Alliance.<sup>1</sup>

**Cooperative definition:** A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

**Cooperative values:** Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

**Cooperative principles:** Cooperative principles are guidelines by which cooperatives put their values into practice.

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

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

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

Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their

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<sup>1</sup>The International Cooperative Alliance (ICA) is a non-governmental organization representing cooperatives and the cooperative movement worldwide. It was founded in 1895 and today represents 272 cooperative federations and organizations (with over a billion members) in 94 countries.

cooperatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of cooperation.

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

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

## **2. COUNTRY BACKGROUND**

### **2.1 Brief history**

Cooperatives were first introduced to Myanmar in 1904 with the enactment of the Indian Cooperative Societies Act.<sup>2</sup> The government became involved right away, as the Cooperative Department was set up in December 1904. Cooperatives were, at first, used by British authorities to counter usury lending practices. By 1929 there were about 4 000 credit cooperatives in what would become Myanmar. Secondary and tertiary membership organizations were formed by this time. Due to liquidity mismanagement the number of cooperatives decreased to just over 2 000. By 1932 the national apex was dissolved and only 57 of 575 credit cooperatives still existed.

From the beginning cooperatives were considered to be externally- (i.e. British) imposed and controlled organizations. After independence the government focused on agricultural and financial cooperatives. These then were used to promote government priorities and cooperative principles were ignored. Because of the government's active role in promotion, members developed a passive role – contrary to a key ingredient for cooperative success. Thus, the cooperative sector in Myanmar began as, and is still, a state-run initiative.<sup>3</sup>

### **2.2 Types of cooperatives**

The Ministry of Cooperatives has designated three major types of cooperatives:

1. Agricultural cooperatives;
2. Financial cooperatives; and
3. Trading cooperatives.

Each of these has its own National Union. Although they are termed 'agricultural cooperatives',<sup>4</sup> most cooperatives in the rural area are multipurpose, in that they undertake agricultural and financial activities.<sup>5</sup> There are a few cases of other types of rural cooperatives, such as stores. Cooperatives are grouped in a defined hierarchy: primary societies, federations (township), Unions (state or region) and national apex. Primary societies are not required to be part of this system, but none have been found outside of it.

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<sup>2</sup>Burma was, at the time, part of India and ruled by Great Britain.

<sup>3</sup>Some of this information was derived from Ferguson (2013), *Consultancy on co-operative systems in Myanmar, livelihoods and food security trust fund*.

<sup>4</sup>When asked the Central Cooperative Society (CCS), the national apex organization, stated that only agricultural cooperatives existed in the rural area. However, the NAPA team encountered other types, such as stores.

<sup>5</sup>Thrift and credit cooperatives, on the other hand, are in urban and semi-urban areas.

## 2.3 Number of cooperatives

Statistical records are not verifiable or up to date. The apex body, (CCS), told the NAPA team to ask the Ministry of Cooperatives for data. The ministry, in turn, was unable to provide exact data, except as apply to a microfinance programme for a number of multipurpose cooperatives. The best available data indicate that there are 31 576 cooperatives (at all levels) in Myanmar. These include: CCS, 20 Unions, 283 federations and 31 090 primary societies. The number of individual cooperative members is 3 118 623 (CCS estimates that there are approximately 400 000 members of agricultural cooperatives). There are six functional unions (e.g. for agriculture) and 14 are geographically based.

This is an assessment of the rural cooperative sector in Myanmar. However, based on available information, there is no way of knowing how many cooperatives can be designated as ‘rural’.

**Table 1: Number of cooperatives according to the Department of Cooperatives**

Type of society	30-9-13	31-10-14	Difference
Central Cooperative Society	1	1	
<b>Production</b>	16 412	24 184	+7 772
Agricultural	14 535	21 380	+6 845
Livestock	1 408	2 300	+892
Forestry	7	15	+8
Industrial	462	489	+27
<b>Services</b>	3 446	4 284	+838
Transportation	40	108	+68
Microfinance	3 158	3 926	+768
Social	36	35	-1
Construction	37	52	+15

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Working Paper 6: Rural cooperatives

Other services	175	163	-12
<b>Trade</b>	2 793	2 804	+11
Government Employees Cooperative (GEC)	440	443	+3
Store	42	42	-
Trading	1 731	1 671	-60
General economic business	580	648	+68
<b>Region/state unions</b>	20	20	-
<b>Township federations</b>	277	283	+6
<b>Total</b>	22 949	31 576	+8 627

Table 1 is based on data provided and reported by the Department of Cooperatives. The trend is hard to believe. For instance, it indicates that in a 13-month period the number of agricultural cooperatives increased by 6 845 – 47 percent! Similar increases are reported for livestock, transportation and microfinance cooperatives. Either the data are not correct or growth is occurring at a rate which will not be sustainable, especially in terms of adequate support services, as well as regulation and supervision.

## 2.4 Cooperative Bank

The Cooperative Bank – CB Bank – is only cooperative in name. It was established by cooperatives and CCS. It currently has 11 888 shareholders, of which 3 000 are cooperatives. CCS owns 5 percent of the shares while cooperatives own 9 percent. The bank has 47 billion kyat<sup>6</sup> in capital, of which 3.2 billion (6.8 percent) comes from cooperatives. The bank holds 1 183 billion kyat in deposits, of which 10.2 billion (less than 1 percent) is from cooperatives. The Board of Directors consists of the 14 largest shareholders. The Chair is also the Chair of CCS, as well as a number of private companies. The bank lends to cooperative federations, but not to cooperatives.

<sup>6</sup>At the time of this NAPA mission, the exchange rate was approximately U \$1.00 = 1 000 kyat.

### **3. INSTITUTIONAL ENVIRONMENT**

#### **3.1 Government policy**

Recently the government developed and approved a national policy for cooperatives. The main tasks enumerated in the policy are:

- “To organize the primary cooperative societies and operate the Micro Capital Loan for the people in order to get their necessary capital;
- “To establish the Microfinance Bank for the requirement of capital of the microfinance firm by receiving Aids, Grants and Concessional loans from international organizations;
- “To upgrade from the cooperative societies to be the effective production, trading, and service cooperative societies in order to support the development of socio-economy and the nation’s economy effectively;
- “To nurture the youth to be the educated cooperators with national and social spirit from the Cooperative Universities and Colleges;
- “To nurture the youth to be the vocational; technicians with national and social spirit from the Cooperative Training Schools.”

The policy does not specify who is to be responsible for these tasks.

The anticipated results of these tasks are noted in the ‘Future Vision’ section of the policy:

- “It is intended to finish the necessary basics during 2015 for the future success of the cooperative business;
- “It is aimed that the microfinance business will cover the whole nation in 2015;
- “It is intended to increase and disburse the loan from (0.1) Million Kyats up to (0.5) Million Kyats after examining their functions of the old cooperative societies which have taken the loan;
- “It is aimed at conducting Myanmar Cooperative societies and members to be sustainable development like the successful cooperatives in other countries.”

#### **3.2 Ministry of Cooperatives**

The Ministry of Cooperatives has two major objectives:

- To improve the socio-economic lives of rural and urban people at the grassroots level; and
- To support the development of the nation’s economy by promoting the actual strength of the cooperative business.

Major functions are organizing, educating, and regulating. The Ministry is divided into the Departments of Cooperatives, Small Scale Industries and Cooperative Trade Promotion. The Cooperative Department employs 5 500 staff of which 300 are in Nay Pyi Taw.<sup>7</sup> There are 14 region/state offices and 306 township offices.

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<sup>7</sup>The Director of the Department stated that full strength staffing would be 18 000.



### **3.3 The private sector**

The private sector's involvement in the cooperative movement is limited. The private sector purchases cooperative products. In the case of rural agricultural cooperatives, this is generally through local brokers. Inputs, primarily seeds and fertilizers, are supplied by the private sector to agricultural cooperatives. However, there is currently a shortage of fertilizer, especially that which is manufactured domestically. Therefore, imported products<sup>8</sup>, at a higher cost, are the only option in some areas.

### **3.4 Non-governmental organizations**

There are a number of non-governmental organizations which have been promoting local farmer-based organizations. These include the United Nations Development Programme (UNDP), Save the Children, Pact Global Microfinance Fund (PGMF), Welt Hunger Hilfe (WHH), Associazione Volontari del Servizio Internazionale/Association of Volunteers in International Service (AVSI) and the Tat Lan Project in Rakhine State.<sup>9</sup> Several of them were visited during the mission.

Welt Hilfe Hunger is a German-supported organization which has established Village Development Committees (VDCs) in 50 villages. These are established based on cooperative principles. Their main function is managing a revolving fund. When a VDC reaches a stage where it can become institutionalized it is provided with information regarding how it may register either as a cooperative or as an association.

AVSI is an Italian-supported organization which initially (2003) focused its efforts on the promotion of rural cooperatives. In 2008 it provided technical assistance in the Delta Region, affected by Cyclone Nargis. It now supports two registered cooperatives, which are affiliated to a township federation. One has 650 members, while the other has 81.

These, and other initiatives, effectively serve as laboratories for local cooperative development. They apply recognized cooperative principles and are not tainted by the historical reputation of the government-promoted entities. Their reach at the moment is very limited, but they offer valuable lessons learned.

## **4. OPPORTUNITIES**

The cooperative sector in Myanmar offers a number of opportunities as regards the promotion of rural, especially agricultural, development. These are primarily:

### **4.1 National coverage**

The cooperative system exists throughout the country. There is no other rural services delivery system as pervasive as cooperatives in Myanmar. A government policy of promoting a cooperative in every village has not yet reached its objective, however it has ensured that the vast majority of the rural population is served by these entities. As regards the agricultural sector, cooperatives as effective private sector businesses can provide product marketing,

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<sup>8</sup>From Thailand, China, India, Japan, etc.

<sup>9</sup>Funded by LIFT and implemented by a consortium – consisting of CARE, Oxfam, Save the Children and A Better Life Organisation (BLO) – and led by the International Rescue Committee.

supply or production inputs, access to technology (machinery) and electricity distribution. This, in turn, will drive the demand for a more active rural population.

#### **4.2 Strong government support**

The cooperative system has strong government support. This starts with the Ministry of Cooperatives and extends through the township offices. The Cooperative Law grants a degree of authority over the sector to the government which is not typical internationally. Clearly, the government senses that it has a vested interest in cooperatives and it tends to act accordingly.

#### **4.3 Provision of services**

The cooperative system provides needed services to farmers. This is primarily the provision of such inputs as seeds and fertilizer, loans and access to machinery. It also acts as a broker with the private sector for the sale of farmers' produce.

#### **4.4 Potential to empower**

Although rural cooperatives in Myanmar are currently controlled, or at least greatly influenced, by the state, there is a good possibility that the pattern followed in such transitional economies as those in Eastern Europe post 1990 could be duplicated. In many of those instances cooperative systems transformed to being truly member-owned and controlled by following international principles. In such a case if the cooperative sector were to become independent and autonomous, it could serve to empower the rural population, particularly through participatory democracy.

#### **4.5 Potential market linkages**

The cooperative sector can fill a farm-to-market gap which, to date, the private sector has been lax in addressing. While the private sector sells inputs to farmers through cooperatives and then purchases produce, this is on a purely non-competitive commercial basis. Working together, cooperatives in a township or even a region can negotiate better prices and services from the private sector for farmers. They can also guarantee markets for suppliers and brokers, which will help to stabilize the local economy.

### **5. CONSTRAINTS**

#### **5.1 Lack of autonomy**

The cooperative sector in Myanmar is not autonomous. For instance, it receives directives from the government, provides loans to members approved by the Cooperative Department and individual cooperatives do not approve their own rules.

## **5.2 Lack of public trust**

Given the history of cooperatives in Myanmar, from their initial creation by the British to the present day, cooperatives have always been mistrusted by the population. They have primarily been perceived as entities which carry out government policy.

## **5.3 No other options**

In most areas of the country the rural population has no other option as regards access to inputs, financing and machinery, as well as the sale of their produce.<sup>10</sup> Thus, the cooperative system has a monopoly on these services. This does not provide a market environment for farmers which is conducive to their receiving the most competitive services and prices.

## **5.4 No participation by members**

Members attend annual meetings, but do not have input as to the agendas. The board of directors makes decisions which are then presented to membership. In most cooperatives there are no term limits for board members. The only opportunity for members to meet as a group is the annual meeting. Issues which may arise during the year are addressed solely by the board.

It was noted that the main reason why farmers become members is to access loans. However, one must be a landowner to borrow. Therefore, the landless and the richer have no incentive to join a cooperative.

## **5.5 No knowledge of the roles and responsibilities of members**

There is a clear lack of awareness of the roles and responsibilities of members. This is the case for members, boards and Cooperative Department officers. The result is that members are treated like clients, instead of owners. They accept being told what to do and do not understand that they are the ultimate decision-makers.

## **5.6 No staff/board distinction at the village and township levels**

A basic cooperative structure consists of an elected volunteer board and, when economically feasible, paid staff. At the federation and primary society levels in Myanmar, there are very few instances of paid staff. Rather, board members are compensated for the time they provide to their cooperative. This means that board members can make decisions which could financially benefit them. It is a clear conflict of interest and must be avoided.

## **5.7 Inappropriate promotion role of the Ministry of Cooperatives**

The Ministry of Cooperatives has determined that its main roles are the promotion, education and regulation of cooperatives. It should be limited to regulation and, in cases which require explanation of regulations, some education. If the Ministry promotes cooperatives and then regulates its own work this is a clear conflict of interest. This is de facto exercised, as well as supported, through the national policy.

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<sup>10</sup> Albeit through brokering.

## 5.8 National Cooperative Policy

The National Cooperative Policy makes several references to the need for cooperatives to be sustainable institutions which serve their members.<sup>11</sup> However, throughout the policy it is either strongly implied or stated that government has a strong role to play in such areas as promotion, education and financing. As noted above, the role of government should be limited to regulation and supervision. Any other activities are to be carried out by the system itself.

The policy also strongly emphasizes microfinance and the need for the government to ensure that capital is funneled to cooperative societies. Again, this is not the role of the government.<sup>12</sup> Cooperative sustainability will ultimately depend upon locally mobilized resources and not external capital.

Ironically, the policy cites slogans, yet it does not have self-reliance strategies. These slogans are meant to emulate successful cooperative models around the world. However, such successes have occurred due, in part, to minimal government involvement.

## 5.9 Gender inequity

The involvement of women in rural cooperatives appears to be minimal, at best. There are no gender-aggregated statistics maintained.<sup>13</sup> Membership meetings attended by the NAPA team all had less than 5 percent female participation. No elected leaders encountered were women.

## 5.10 External subsidized loans

The government has accepted a loan (at 4.5 percent *per annum*) from the Export/Import Bank of China for on-lending to farmers. This is being provided in tranches, the first being US\$100 million.<sup>14</sup> The Ministry of Cooperatives has been charged with administration of the loan. The loan must be repaid to China in 10 years. Lending administrative fees are paid to CCS (4.5 percent), the regional unions (1 percent), the township federations (4 percent) and the primary societies (4 percent). The percentage per loan charged to members is 18 percent.<sup>15</sup> The maximum loan is 100 000 kyat. This is not enough to lend to all members. Therefore, the representative of the Department of Cooperatives decides which members qualify for loans.<sup>16</sup>

The problems with this are threefold: (a) members are not encouraged to save. It is ultimately savings which will determine the economic development of a rural community and the lack of this is a long-term constraint and a bad habit is created; (b) members and cooperatives inevitably lose their sense of affiliation to the cooperative system (e.g. federations and unions). They are aware that the loan funds come from China through the ministry and do not perceive this to be a service of the cooperative system, *per se*; and (c) The provision of loans at a subsidized rate of interest will be detrimental (perhaps fatally) to the rural microfinance

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<sup>11</sup> Indeed, the first 'essence item' specified is 'self-reliance'.

<sup>12</sup> The problems related to this are explained in the next section.

<sup>13</sup> The Cooperative Department staff in Yangon Region estimated that 10 percent of members there are women.

<sup>14</sup> It is set to increase to US\$800 million in the near future.

<sup>15</sup> The Microfinance Law sets the maximum interest for such loans at 30 percent *per annum*. Microfinance institutions have argued that there should be no limit. Rather the market set determines the rate.

<sup>16</sup> This is based on a member's allegiance to the cooperative, as indicated by activities and past loan repayments. The member must also own land. However, no indication was provided anywhere of verifiable indicators of this.

industry in Myanmar. It could well cause microfinance institutions to close, leaving the rural community with little or no other options.

### **5.11 The Cooperative Society Law**

The Cooperative Society Law is not enabling for the sector. It does not provide sufficient guidelines regarding the role of the Ministry as a regulator. It does give too much authority (such as immediate society liquidation) to the Department of Cooperatives. As noted by Ferguson (2013)<sup>17</sup> the law establishes a four-tier structure which is not financially dependent upon its owner members and does not provide services exclusively to such members. Interviews indicated that the law was developed without any reference to international experiences and examples.

Previous studies<sup>18</sup> and informal discussions indicated that a new law is in the process of being developed. However, this was denied by the Director of the Department of Cooperatives.

### **5.12 The Cooperative Society Rules**

The Cooperative Society Rules do not cover all aspects of internal governance. For instance, it permits fees for elected officials. It also limits the use of surpluses to purchasing government securities and subscribing shares in other cooperatives. The Ministry, and not the members, determines the cooperative flag and seal to be used by a primary society. It was noted that the new (2013) rules have provided improvements over the previous (1998) rules. However, the 1998 rules were not immediately made available for comparison.<sup>19</sup>

### **5.13 Shares**

Membership in a cooperative is predicated upon ownership of a share. In general, the par value of a share is 5 000 kyat. However, some exceptions to this were found. A cooperative store in Kayam (110 members) charges members 100 000 kyat per share, the Phyu agricultural cooperative (16 members) charges 500 000 kyat and the Golden Plain Livelihood Development Services Coop Ltd. (11 members) charges 1 000 000 kyats. Such high par values prevent the typical potential members in the rural area from joining. As can be seen in two of these cases, the very small number of members also indicates that these cooperatives have become exclusive clubs.

### **5.14 Lack of member education**

There is not and never has been a programme of cooperative member education. This should be a regular, at least annual, activity of each cooperative. In addition to explaining roles and responsibilities, cooperative officials should be sure to provide all updated information as regards the cooperative's activities and possible government actions which may affect them.

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<sup>17</sup> *Consultancy on co-operative systems in Myanmar*. LIFT, September 2013.

<sup>18</sup> *Ibid.*

<sup>19</sup> Surprisingly, the Department of Cooperatives in Nay Pyi Taw stated that it did not have a copy of the 1998 rules and that its office in Yangon should be requested to provide a copy.

### **5.15 Lack of focus at training institutions**

There are two cooperative universities<sup>20</sup> and two cooperative colleges.<sup>21</sup> All are state run. Some train Cooperative Department staff. Some train new civil servants, most of whom will not work in the cooperative sector. The curriculum is not cooperative-focused<sup>1022</sup> and is not determined based on a formal needs assessment of the sector.

### **5.16 No evident open-hiring practices**

Indications are that all staff hired at the Union and CCS levels are retired Ministry of Cooperatives staff.<sup>23</sup> Thus, there are no evident open-hiring practices. While such staff are experienced in the cooperative sector, there may be a tendency to see cooperative employment as a second career, effectively postponing retirement, rather than a primary vocation.

### **5.17 Lack of data**

There are no verifiable data on the cooperative sector at either the CCS or within the Ministry of Cooperatives. The federations and unions do not provide data to the CCS and what are housed in the Department of Cooperatives are not properly disaggregated.

### **5.18 Inadequate representation: CB Bank – CCS**

The Cooperative Bank was originally established by the cooperative movement, but is now effectively owned by one person. This person is the Chair of the bank and also the Chair of the board of CCS. The representation system should allow opportunities for ordinary members to hold high elected positions.

### **5.19 NGOs registered as cooperatives**

Some NGOs found the process of registering as a cooperative to be much easier than registering as an NGO. Therefore, until recently, they have decided to take the easier route.<sup>24</sup> This has resulted in a situation whereby some NGOs are ‘cooperatives of convenience’ and do not comply with cooperative principles and practices. In addition, they cannot be properly regulated as cooperatives.

### **5.20 Multipurpose cooperatives**

The agricultural cooperatives have become de facto multipurpose cooperatives. They handle the provision of services, broker produce sales and provide financial (savings and loan) services. The cases where multipurpose cooperatives have been successful in the world are extremely rare.<sup>25</sup> There is an especially large risk when financial services are involved.

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<sup>20</sup> Thanyin and Sagaing.

<sup>21</sup> Phaung Gyi and Mandalay.

<sup>22</sup> There are about five cooperative-specific courses offered at the Than Lyin Cooperative University. The other courses were deemed applicable to cooperatives. But they would also be applicable to any other sector.

<sup>23</sup> Even if there are some exceptions they are minimal.

<sup>24</sup> Such was the case with the Golden Plain Livelihood Development Service Cooperative, Ltd.

<sup>25</sup> Germany and Japan

Whenever a cooperative's cash flow is in difficulty there is a temptation to utilize members' savings to cover such operational costs. Such savings are a cooperative's liability, because they belong solely to the members. Eventually situations arise where members cannot immediately access their own funds and institutional trust is damaged.

### **5.21 Adoption of rules (by-laws)**

The cooperative society rules (by-laws) have been developed by the Ministry of Cooperatives following consultation with the CCS and some Union representatives. The by-laws should, instead, come from the cooperative itself, following a discussion among members. Model by-laws may be provided as a guide. But the final version must be that which is approved by a majority of members in a membership meeting. This can then be presented to the Ministry which will determine if said by-laws are consistent with the law.

### **5.22 National policy of a cooperative in every village**

The government has an official policy of promoting one cooperative in each village. However, it is not the role of the government to promote or create cooperatives. This can only be undertaken by potential members at the grassroots level. This policy is, therefore, contrary to the basic precept of the international cooperative movement.

## **6. RECOMMENDATIONS**

### **6.1 Cooperative education and training**

A national cooperative education and training programme should be initiated. This should begin with an assessment of measurable financial, managerial and governance factors. Such an assessment will determine the priority areas for the programme. The key elements of the programme would be:

#### ***A national member education programme***

As applies to cooperative sector development, there is a dichotomy between member education and staff training. The education activities focus on the rights and responsibilities of members. Training is primarily skill and knowledge transfer to staff, as well as some elected officials.

#### ***A comprehensive cooperative training system***

Such a system should be developed and housed at the cooperative universities and colleges. The training institutions should transit from being state-run to being owned and controlled by the cooperative system itself. Training would primarily be experiential, based on an annual sector needs assessment and be performance based. Training must prioritize cooperative movement members, especially those from the cooperative sector, as opposed to the public sector.

### *Focused study tours*

Focused study tours in the region should be arranged for key cooperative policy-makers and stakeholders. These, like other training opportunities, must have measurable objectives which address deficiencies in the Myanmar cooperative system. Such opportunities should focus on peer-to-peer exposure.

## **6.2 Legal and regulatory framework**

The cooperative legal and regulatory framework must be reviewed and revised, as appropriate, in order to comply with international standards. CLARITY<sup>26</sup> principles for regulating enabling environments should be applied. These are:

- *Democratic member control*: The law must protect the democratic character of cooperatives, vesting control of the organization in its members;
- *Autonomy and independence*: Cooperatives are private sector businesses. The law must protect the autonomy and independence of cooperatives from government, persons, and entities other than members of the cooperative;
- *Voluntary membership*: The law must protect the voluntary nature of membership in cooperatives; membership should be determined by each cooperative, not mandated by law or government order;
- *Member economic participation*: The law must protect and promote the responsibilities of membership, including the duties to contribute equitably to and democratically control the capital of the cooperative;
- *Equitable treatment*: The law and regulations should be no less advantageous to cooperatives than to other businesses in the same sector, while protecting and being sensitive to the mutuality of cooperatives. Incorporation, law enforcement, dispute resolution and licensing of cooperatives should be handled in the same manner as other businesses;
- *Access to markets*: Sector-specific regulations should provide reasonable accommodations and incentives, where appropriate, that enable cooperative forms of business to operate;
- *Coherent and efficient regulatory framework*: The regulatory framework should be simple; should minimize bureaucratic delay and obstructions to business operation; and should avoid conflict and duplication of other laws. Regulation with respect to the business of cooperatives should be handled by institutions with the most relevant specialized expertise;
- *Due process*: Cooperative organizations and their members should be accorded due process of law, including applicable rights to hearings, representation and impartial appeals for decisions of the state that impact cooperatives and their members and
- *Absence of conflicts of interest*: The role of the state in law enforcement, dispute resolution, license and promotion should be administered in a manner that avoids duplication or undue influence and minimizes conflicts of interest.

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<sup>26</sup> The Cooperative Law & Regulation Initiative of the U.S. Overseas Cooperative Development Council, 2009.



### ***Role of the government***

The role of the government must be limited to regulation of the sector. This should be reflected in a revised National Cooperative Policy. Promotion and education are the responsibility of the institutional structures, such as the primaries, federations, unions, national apex and training institutions. This will, of course, mean that the required number of Cooperative Department staff will be less than at present. Similar staffing transfers have recently occurred within the Ministry of Finance.

### ***The Cooperative Law***

The Cooperative Law must be reviewed and revised, based on international experience and best practice.

### ***The Cooperative Society Rules***

The Cooperative Society Rules should be reviewed and compared with international models. They should then be prepared as model by-laws, which can be adapted by each cooperative. Approval authority for rules for each society should be granted to each cooperative's membership and not the Ministry. The Ministry can, however, ensure that the rules are compliant with the law.

### ***Share policy***

The application of share policy should be reviewed. While each cooperative can establish its own par value, measures should be put into place whereby cooperative membership is open to all and a par value which is too high does not prevent participation. Some local cooperative leaders believe that high par values provide capital to the cooperative and help ensure its sustainability. However, they should be trained to understand that sustainability is due to viable ongoing economic activities and not payments by members.

## **6.3 External loans**

The issues arising from the acceptance of an external subsidized loan must be addressed.

### ***Interest rate***

Assuming that the external loan of US\$100-800 million cannot be discontinued, farmers should be charged the market rate, as allowed by the Microfinance Law. The additional funds could then be used as additional loan capital.

### ***Borrower selection***

The cooperatives should select the borrowers, based on verifiable and measurable lending criteria. This should not be a function of the Department of Cooperatives or any other government entity.

## **6.4 Cooperative system structure**

There are a number of steps which must be taken in order to develop the cooperative system into a movement which serves and is owned by its members.

### ***Hiring***

An open hiring system should be introduced which transparently invites candidates from all sectors to apply to jobs within the cooperative system.

As financially feasible, hire staff at the primary societies and the federations and no longer pay elected officials.

### ***Data***

A data collection system should be established which would be housed at CCS. Unions and federations should no longer report to the Ministry of Cooperatives, but file reports with the CCS which can share these with the ministry.

### ***Representation***

The election system at the Union and CCS levels should be reviewed and revised in order to ensure that farmers and their interests are represented.

### ***Non-government organizations***

An inventory should be undertaken of all registered cooperatives. Those who are, in effect, NGOs but have become 'cooperatives of convenience' should be strongly encouraged to register as NGOs.

### ***Multipurpose cooperatives***

The financial functions should be separated from multipurpose cooperatives and single purpose financial cooperatives should be established. These may share the same facilities as an agricultural (or other) cooperative. However, the accounts and governance structure must be separate.

### ***Gender***

Increased female membership should be encouraged in cooperatives. Data should be maintained which disaggregates membership by gender and this should be monitored on a quarterly basis. Also, female representation on the boards of primary societies should be promoted.

### ***Other cooperative initiatives***

Independent (usually NGO-sponsored) village association development activities should be encouraged. These should not be forced to register as cooperatives. They could be associations or another type of legal entity. They will also, when scaled up, serve as open market competition to the existing cooperative sector. Thus, the rural population will be best served.

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## **ANNEX 1: LIST OF PERSONS MET**

### Khayam Township

U Non Age	Assistant Township Cooperative Officer, Khayam
U Cho Chairman	Cooperative Syndicate, Khayam
Daw Ha Hla	Assistant Township Cooperative Officer, Khayam
Daw Pyone Pyone Kyi	Assistant Township Cooperative Officer, Khayam
U Nyunt Myint	Vice Chairman, Cooperative Store, Khayam
Daw Hlay Hlay Win	Technical Cooperative Officer, Khayam
U Aung Win	Managing Director, Cooperative Store, Khayam
Daw Tin Yi	Board Member, Cooperative Store, Khayam

Approximately 200 farmers/rural primary society cooperative members

### Kyausee Township

U Yee Naung	Chairman, Township Cooperative Syndicate
U Zaw Myo Oo	Cooperative Township Officer

Approximately 50 farmers/rural primary society cooperative members

### Mandalay

U Soe Myint Aung	President, Union of Cooperative Syndicates, Mandalay Region
U Htun Hang	Secretary, Union of Cooperative Syndicates, Mandalay Region
U Kyaw Kyaw Htun	Deputy Director, Cooperative Department, Mandalay Region
U San Lwin	Vice Chairman, Union of Cooperative Syndicates, Mandalay Region
U Saw Lin But Poe	Director, Myanmar Dairy Industries, Ltd., Mandalay

### Nay Pyi Taw

Ami Aung	DSO, Department of Rural Development, Poverty Reduction Supporting Development, Ministry of Rural Development, Livestock and Fisheries
U Ye Khaung	Deputy Director, National Project Department (NAPA), Department of Rural Development, Ministry of Rural Development, Livestock and Fisheries

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Yin Yin May Assistant Director, Department of Rural Development, Ministry of Rural Development, Livestock and Fisheries

Major Myint Thein Director, Department of Cooperatives, Ministry of Cooperatives

U Aye Tun Deputy Director General, Department of Agriculture, Ministry of Agriculture and Irrigation

Phyu Township

U Wai Linn Aug Agricultural Township Officer

U Tin Aung Member, Bago Division Hlatlaw

U Nyint Hlaap Member of Parliament

U Win Hlaing Chairman, Lu Nge Ah Mun Cooperative Society

U Kyaw Lwin Township Mechanization Officer

U Aung Myint Oo Township Cooperative Officer

U Thant Zin Myo Township Rural Development Officer

U Sawtamalaphaw Township Head of Land Statistics

U SaU Kyaw Soe Secretary, Township Development

Sein Tum Honorary Member, Ah Mann Agricultural Cooperative

Approximately 75 farmers/rural primary society cooperative members

Thanlyin

Tin Oo Professor, Cooperative University, Thanlyin

Daw Khn Thant Sin Head, Department of Co-operative Studies, Co-operative University, Thanlyin

Thein Tun Rector, Co-operative University, Thanlyin

Yangon

Htwe Htwe Aung Vice-Chairman, Golden Plain Livelihood Development Services Co-op Ltd.

Nang Swe Swe Aye Local Representative, AVSI Foundation Myanmar

Valentina Clementelli Program Officer, AVSI Foundation Myanmar

Antoine Deligne Livelihoods and Food Security Specialist, Livelihoods and Food Security Trust Fund (LIFT)

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Lucas Frohofer	Expert Programme Coordination, Welt Hunger Hilfe
Peter Hinn	Country Director, Welt Hunger Hilfe
Dilip Kumar	Interim Chief Technical Advisor, NAPA, FAO
Mar Mar Kyi	Advisor, Golden Plain Livelihood Development Services Co-op Ltd.
Min Lwin	General Manager, Central Cooperative Society Ltd. (CCS)
Nay Mo	Agriculture & Livestock Officer, Livelihoods and Food Security Trust Fund (LIFT)
Pe Myint	Managing Director, CB Bank
U Aung Thaung Myint	Deputy Director, Co-operative Department, Yangon Region
Yi Yi Myint	Advisor, Golden Plain Livelihood Development Services Co-op Ltd.
Ayesha Tayyab	International Specialist, Rural Finance, NAPA
U Aye Ko Kyaw Thein	Chief Executive Officer, Central Co-operative Society Ltd. (CCS)
Kyaw Kyaw Thin	National Consultant, Rural Finance, NAPA
Kyi Tint	Managing Director, Central Co-operative Society Ltd. (CCS)
Kyaw Thu Win	Senior Program Officer, Relief International

## **ANNEX 2: RECOMMENDED AREAS OF INTERVENTION**

The following are three options for intervention which will result in the development of the rural cooperative sector in Myanmar. They are not prioritized, as they are equally important and, in some ways, inter-dependent. However, they may be sequenced in the order which they are presented.

They are:

1. Cooperative legal and regulatory framework
2. Cooperative education and training
3. Cooperative system institutional development

### **1. Review and revision of the cooperative legal and regulatory framework**

Justification: The cooperative legal and regulatory framework must be revised to comply with international standards. At present, the main document (the Law) is from 1992 and represents the legal environment of the military government of that time. In that context the cooperative sector was, effectively, an extension of the government and used as a mechanism to carry out government activities.

In order to allow the cooperative sector to develop independently from government, this framework must be reviewed and revised.

Priority: This is the first activity which should take place and is therefore a short-term priority. Without an enabling environment other cooperative sector development activities will inevitably be stymied.

Scope: The main focus of this intervention will be in Nay Pyi Taw. However, consultations with the cooperative sector should be held on a nationwide basis

Inputs: The necessary inputs would be: a short-term intermittent international cooperative legislation and regulation expert.

Projected outputs: The outputs would be a new law, model by-laws, and new regulations which are properly supervised by the Department of Cooperatives.

Projected activities: National, regional and township round tables will be held, as facilitated by the International Expert. These will be attended by cooperative members and leaders, Department of Cooperatives staff, and members of Parliament. Based on the results of these stakeholder meetings, a final national roundtable will be held at which a proposed law will be presented to Parliament. Model by-laws will also be developed for adaptation by each society and regulations, drafted by the roundtable, will be presented to and approved by the Ministry of Cooperatives.

Expected duration: This intervention will take place over a period of 2 years.

Broad expected cost: The estimated cost will be US\$500 000.

## **2. Development of a cooperative education and training system**

Justification: There is a critical need for capacity building at all levels of the cooperative system.

Priority: This intervention should begin immediately.

Scope: The scope of this intervention is nationwide.

Inputs: The inputs would be: an intermittent international capacity development expert with cooperative experience.

Projected outputs: A national cooperative education and training system which is owned by the cooperative system. This will eventually (hopefully within 5 years) be housed at the cooperative training institutes which will, by that time be fully owned by the cooperative system.

Projected activities: The sequence of activities would be: a national needs assessment of the cooperative system. This will use measurable indicators to measure financial, managerial, and governance aspects of the system and be undertaken in cooperation with the training institutes. Then, needs will be prioritized in the major categories of those which may be addressed with member education and those which require staff training. Appropriate training modules will be designed. A mobile member education program will begin. This will be managed by the cooperative system. Staff training will take place, in cooperation with the training institutes. As appropriate, study tours to other countries in the region will take place. This will include both cooperative and Ministry of Cooperatives staff. Finally, at the end of each year, education and training programs will be assessed and a new needs assessment will take place, driving the next cycle of activities.

Expected duration: This intervention will require more than five years. Hopefully, within a range of 5-10 years it will be fully funded by the cooperative movement.

Broad expected cost: The anticipated cost over the first 5 years will be: US\$2 000 000.

## **3. Institutional development of a national cooperative system**

Justification: The cooperative system as a whole needs to be rationalized, based on current verifiable data, as well as best cooperative management and governance systems.

Priority: This intervention should begin immediately.

Scope: The scope of the intervention is nationwide.

Inputs: Intermittent international technical assistance will be need in: cooperative organization and development, as well as management information systems (MIS).



Additionally, computer hardware and software should be adapted and installed in all Unions and federations.

Projected outputs: By the end of the intervention period the following will be in place: a data collection system which will be monitored on a monthly basis, transparent hiring procedures at all levels of the cooperative system, a representative elective and governance process within all cooperative structures, and gender equity measures will be implemented. NGOs which have been registered as cooperatives out of convenience will be re-registered as NGOs or associations. Financial functions will be separated from multipurpose cooperatives and all will become single purpose cooperatives. NGO initiatives in village association development which are of a pre-cooperative nature will be officially encouraged, financially and technically. As appropriate such initiatives will result in rural cooperatives.

Projected activities: The intervention will begin with the establishment of a data collection system, registered in an MIS housed within CCS. This will require technical training, as well as hardware and software installation. The data will be analyzed by each level of the cooperative system, with the assistance of an international expert. Institutional reform will follow. This will include revised and standard hiring procedures, elective systems which guarantee representation of all, and gender equity measures. Next, a cooperative census will take place. One result of this will be the identification of NGOs which should re-register as such. Another will be the identification of multipurpose cooperatives which should be divided into single purpose societies. Finally, a special fund will be dedicated to assisting NGOs in the development of village community associations. These activities will be monitored as effective laboratories for cooperative development which may be expanded and duplicated in other areas of the country.

Expected duration: This intervention should take place over a period of up to 4 years, after which the systems and procedures will be in place.

Broad expected cost: The anticipated cost of this intervention will be US\$4 000 000.