



# **Enhancing the Competitiveness of SMEs through the innovative Cooperative Business Model (CBM)**

Research Study, International Symposium and  
Workshop - Final Report

**APEC Small and Medium Enterprises  
Working Group**  
March 2014

## **APEC PROJECT SME 03 12**

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**Project Number: APEC#214-SM-01.1**



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## Acknowledgments

I would like to express my special thanks to the APEC Secretariat, the Small and Medium and Enterprises Working Group (SMEWG), and the staff at the Vice Ministry for Micro and Small Enterprises and Industry of the Peruvian Ministry of Production (PRODUCE) for the support and guidance through the research process of the **Project APEC SME 03 12**. I owe my gratitude to the Project Overseer - Mr. Heber Fundes.

It was also very important the contribution of the economies, public entities and organizations that provided information for their correspondent sections. My respect and gratitude to the authorities and committees at the Cooperative Policy Unit at Industry Canada (IC), Departamento de Cooperativas (DECOOP) at the Ministerio de Economía, Fomento y Turismo de Chile, the Commercial and Economic Office at the Embassy of Indonesia at Lima-Peru, Japanese Consumer Cooperatives Union (JCCU), Malaysia Cooperative Societies Commission, SME Corporation Malaysia, Malaysian Cooperative Movement, PROMPERU-Comisión de Promoción del Perú para la Exportación y el Turismo, the Office of Small and Medium Promotion (OSMEP) of Thailand, Cooperative Department under the Ministry of Planning and Investment of Viet Nam, and the Viet Nam Cooperative Movement.

My appreciation to Mr. Réjean Lantagne, Mr. Carlos Schultze, Mr. Pedro Pablo Lagos, Alessia Amighini, Phd, Mr. Paolo Tonelli, Alex Rigotti, Ms. Nur Aishah Isa, Ms. Silvia Borda, Mr. Lorenzo Castillo, Ms. Teonila Guerra, Mr. Carlos Torres Morales, Ms. Thu Hang Tran, and Ms. Nancy Guima.

I am very grateful to Ms. Maria Elena Chavez Hertig and Jae H. Lee, Ph.D, who shared their knowledge and expertise on cooperatives, as well as sent literature review and data for the research study; and to my friend and great Professor Graciela Ortiz-Origgi for contributing to the discussion about business opportunities and economic development in the APEC region.

Last but not least important, I want to thank my assistant Andrea Bengoa Kamishikiriyo for her great support and enormous spirit for collaboration.

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## Acronyms and abbreviations

### Acronyms

APEC	Asia-Pacific Economic Cooperation
APEC SMEWG	APEC Small and Medium Enterprises Working Group
CAMPOCOOP	Confederación Nacional de Federaciones de Cooperativas y Asociación Silvoagropecuarias
CECOVASA	Central de Cooperativas Agrarias Cafetaleras de los Valles de Sandía
COCLA	Peruvian producers and exporters of coffee
CONFENACOOOP	Confederación Nacional de Cooperativas del Perú
COPAC	Committee for the Promotion and Advancement of Cooperatives
CMC	Co-operatives and Mutuals Canada
DECOOP	Departamento of Cooperativas (DECOOP) – Ministerio de Economía, Fomento y Turismo de Chile
EURICSE	European research institute on cooperatives and social enterprises
FAO	Food and Agriculture Organization of the United Nations
FENACOOSEP	Federación Nacional de Cooperativas de Servicios Especiales del Perú
FECRECOOP	Federación Chilena de ahorro y crédito
FENACREP	Federación nacional de cooperativas de ahorro y crédito del Perú
IC	Industry Canada
ICA	International Cooperative Alliance
ICECOOP	Instituto Chileno de educación cooperativa
ICMIF	International Cooperatives and Mutual Insurance Federation
ILO	International Labour Organization
ICMIF	International Cooperatives and Mutual Insurance Federation
JCCU	Japan Consumers Cooperative Union
JUNAC	Junta Nacional del Café
MCSC	Malaysia Cooperatives Society Commission
MINCETUR	Peruvian Ministry of Foreign Trade
MINAG	Peruvian Ministry of Agriculture
NACF	National Agriculture Cooperative Federation
OECD	Organization for Economic Co-operation and Development
OSMEP	Office of Small and Medium Promotion - Thailand
SERVIPERU	Central Cooperativas de Servicio del Perú
SOCODEVI	Société de coopération pour le développement international
SUNAT	Superintendencia Nacional de Aduanas y Administración Tributaria
PROMPERU	Comisión de Promoción del Perú para la Exportación y el Turismo
PRODUCE	Peruvian Ministry of Production
UN	United Nation
VCA	Vietnam Cooperative Alliance
WOCCU	World Council of Credit Unions

**Abbreviations**

CAC	Central of agriculture cooperatives
CBM	Cooperative Business Model
CODEMU	Consejo de Mujeres (Women's development council)
COOPAC	Cooperativas de ahorro y crédito (Saving and credit cooperatives)
ICT	Information and Communication Technologies
IYC	International Year of Cooperatives
ME	Micro enterprises
NGOs	Non-governmental organizations
PCF	People's credit fund
R&D	Research and development
SME	Small and medium enterprises



## Executive Summary

Small and medium size enterprises (SMEs) play an important role in the creation of business in APEC Region. In this context, through the formulation of the APEC SMEWG Strategic Plan 2013-2016, the APEC Small and Medium Working Group (SMEWG) is working to improve business environment, encourage entrepreneurship, as well as making efforts to promote management capacities and strengthen the relationship between SMEs and other business models.

The United Nations General Assembly designated 2012 as the **International Year of Cooperatives (IYC)** with the objective to raise public awareness of the contributions of cooperatives to poverty reduction, employment generation and social inclusion. The International Year of Cooperatives was also oriented to highlight the strengths of the Cooperative Business Model (**CBM from now on the abbreviation**) as an alternative mean of doing business and improve social and economic development<sup>1</sup>.

Cooperatives are typically anchored to the territories in developed and developing economies, and they contribute to create job opportunities and increase social inclusion in rural and urban areas. Building an innovative cooperative model can rise as a daunting challenge, but in times of globalization, the growth of cooperatives can also emerge as a sustainable option for the economy of the future and a determining factor in fostering enterprises competitiveness.

**APEC Project SME 03 12 – Enhancing the competitiveness of SMEs through the innovative cooperative business model (CBM)** is proposed to verify how the cooperative business model is implemented in the developed and developing APEC economies, and which are the successful experiences that may contribute to identify the most important socio-economic drivers to propose the CBM an effective model to enhance competitiveness of SMEs.

In order to become strategic partners of SMEs, cooperatives require strong governance, as well as a great dose of innovation, management training, access to technology, access to credit and networking. That is why, the research will be focused on trying to understand the potential of the CBM for finally offer certain recommendations to strengthen the relationship with SMEs.

**APEC Project SME 03 12** was divided into two main activities oriented to fulfill its objectives: a research study, and a workshop and seminar event. The research study was focused in trying to answer the following questions:

- 1) What is the role expected of the cooperatives in the APEC economies?

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<sup>1</sup> UNDESA-Cooperatives in Social Development: <http://social.un.org/coopsyear/index.html>

- 2) Are the economies increasing the business opportunities for cooperatives through better policies and strategies?
- 3) Are the cooperatives prepared for the challenge of being strategic partners for the SMEs?
- 4) Are the SMEs taking into consideration cooperatives as strategic partners to compete on local or global markets?

To understand the role of cooperative movement in APEC region, there were also selected 9 from the 21 APEC economies. These economies are not only working together to achieve the objectives of the APEC SMEWG Strategic plan; but they also are making reforms to improve their business environments and to strengthen the role of their cooperative movements in the economic growth. The economies selected were: **Canada, Chile, Indonesia, Japan, Korea, Malaysia, Peru, Thailand** and **Viet Nam**, considering the following:

- Historically robust and well structured cooperative movements in key sectors, mainly agriculture and services.
- Growing or already consolidated financial systems with a significant saving and credit cooperative structures.
- Concrete actions underway to encourage women's role in labor and business creation.
- National cooperatives policies and strategic plans in place to increase the participation of cooperatives in the economic growth.
- Incentives to business education and training.
- Commitment to strengthen socially responsible business.
- Relevant presences of SMEs looking for alliances for widespread networking.

In recent years, the adoption of new policies and strategies has increased the participation of these economies in the global market. They show healthy economic indicators and they are introducing business facilitation reforms and creating conditions to foster competitiveness.

For instance, the Doing Business 2014 reports enhanced business environments in Korea, Malaysia, and Thailand, while the 2014 Global Competitiveness indicators underscore Canada efficiency and Japan sophisticated business environment and innovation.

While investment in infrastructure, trade policies, safety for investing, and regulatory reforms are noteworthy in Chile, Indonesia<sup>2</sup> and Peru; Viet Nam is implementing new reforms to improve its business climate (See Table 1). These economies are also involved with sustainability and social inclusion.

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<sup>2</sup> Credit access improvements.

**Table 1 : Economies data analysis**

ECONOMY	GLOBAL COMPETITIVE INDEX 2014 <sup>1</sup>			DOING BUSINESS 2014	GENDER SITUATION				YOUTH POPULATION (%) <sup>6</sup>
	Basic Requirements <sup>2</sup>	Efficiency Enhancers <sup>3</sup>	Innovation / Sophistication Factors <sup>4</sup>		Women Population (%) <sup>5</sup>	Female full-time workers (%)	Firms w/ female ownership (%)	Women in nonagricultural sector (%)	
CANADA	14			19	50.4	43.0 (2012)*	50.0 (2011)**	50.0 (2011)	18
	15	6	25						
CHILE	34			34	50.5	28.1 (2010)	29.1 (2010)	37.0 (2011)	24
	30	29	45						
INDONESIA	38			120	49.7	33.9 (2009)	42.8 (2009)	33.0 (2010)	26
	45	52	33						
JAPAN	9			27	51.3	-	-	43.0 (2011)	14
	28	10	3						
KOREA	25			7	50.3	-	19.1 (2005)	43.0 (2011)	19
	20	23	20						
MALAYSIA	24			6	51.5	-	13.1 (2010)	39.0 (2010)	28
	27	25	23						
PERU	61			42	49.9	35.1 (2010)	28.7 (2010)	36.0 (2010)	28
	72	57	97						
THAILAND	37			18	51.0	52.3 (2006)	-	45.0 (2011)	22
	49	40	52						
VIET NAM	70			99	50.6 (2004)	36 (2007)	59.2 (2007)	40.0 (2004)	26
	86	74	85						

<sup>1</sup> From 148 economies<sup>2</sup> Basic Requirements: Institutions, infrastructure, macroeconomic environment, health and primary education<sup>3</sup> Efficiency Enhancers: Higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size<sup>4</sup> Innovation and Sophistication Factors: Business sophistication and innovation<sup>5</sup> As of 2012<sup>6</sup> As of 2012, Age range:10-24 years old

\*Female full-time workers divided by full-time workers of both sexes. Source: CANSIM - Statistics Canada (2012)

\*\*Percentage is greater than 50%. In Canadian SMEs, female ownership rose to 15.6% in 2011 from an estimated 14.9 in 2007. Source: Royal Bank of Canada (RBC)

Source: The Global Competitiveness Report 2013-2014 -WEF, Doing Business 2013-2014 -World Bank, The World's Youth 2013 Data Sheet -Population Reference Bureau

Gender analysis is another important concern when discussing the APEC region development and rethinking of the cooperative business model. Women have an important presence in APEC, therefore the more opportunities they have, the best conditions for their empowerment and inclusion will be presented.

Women in the economies under analysis comprise between 49.7% and 51.5% of the total population but their share in business is still limited (See Table 1). To this respect, CBM would provide better conditions for women entrepreneurs, and allow them to organize themselves more efficiently while fully respecting their tradition and culture.

The methodology for the research study included the following stages:

- 1) **Gathering of literature review and data** from secondary sources about the present status of the cooperative movement, cooperatives demographics, and other topics related with the role of cooperatives in the selected APEC economies.

- 2) **Survey for governments and cooperatives** to learn about the relevant factors that either foster or hamper the cooperatives opportunities for growth and their relationships with the SMEs. **Survey for government** was proposed to obtain information about good government practices, plans and policies. On the other hand, **survey for cooperatives** was oriented to verify cooperatives performance, perspectives and relationship with SMEs. In this context, questionnaires were designed to obtain qualitative and quantitative information from directed sources.
- 3) **Interviews with experts** about the development and potential future of the CBM in the APEC region and the global economy.
- 4) **Primary research** involved organizing and analyzing literature review and data, survey results and interviews. The analysis of information from the Workshop and Seminar **Enhancing the Competitiveness of SMEs through the Innovative Cooperative Business Model** (Lima, Peru, November 19-20, 2013) was also of great help.

The research study aimed first to encourage economies to join the research process. Since there is very limited analysis about relationship between cooperatives and SMEs even outside the APEC region; the participation of economies was considered a high priority for accessing to updated information, and increasing the likelihood of responses to the survey.

In this context, the contribution of APEC SMEWG, national authorities, associations and cooperative movements in the APEC region was crucial ensuring the effort of carrying out the survey and obtaining good information.

The survey took place between October and November 2013; and replies were received through the end of December 2013. Simultaneously, interviews were arranged with cooperative movement, experts and with academics from APEC economies and OECD, representatives from cooperatives organizations, and international managers from exporting SMEs.

A group of participants at the **Workshop and Seminar Enhancing the Competitiveness of SMEs through the Innovative Cooperative Business Model** (Lima, Peru, November 19-20, 2013) were likewise interviewed. The economies that contributed with the survey are the following:

**Table 2: Replies to surveys**

Authorities	Canada, Chile, Malaysia Peru, and Viet Nam
Cooperative movements and cooperative unions	Japan Consumer Cooperative Union (JCCU) Malaysian National Cooperative Movement - ANGKASA Malaysia Viet Nam Cooperative Alliance (VCA)
SMEs Associations	Thailand
Cooperatives	Chile, Japan, Peru and Thailand

The authorities provided data and contacts of the largest cooperatives in their respective economies. Peru provided access to its “National Directory of Cooperatives” so too, a selected group of saving and credit cooperatives and agricultural services cooperative were contacted. The European research institute on cooperatives and social enterprises (EURICSE) provided the report **World Cooperative Monitor 2012**.

It is important to note that cooperatives structures in APEC region mostly evolves in the agriculture sector and rural cottage industries; consequently, there were difficulties to access to the cooperatives themselves; and their willingness and ability to provide updated quantitative data for the study.

In addition, the greatest research difficulty encountered was the access to updated statistics and/or standardized databases. Experts on cooperatives confirmed the difficulties to access update data or completed statistical information. However, the interviews helped to collect the facts used to understand the past and present of the cooperative movement.

In this context, looking for annual reports or sophisticated data could probably have led to missing the relevant successful stories of the cooperative movement in the APEC economies, because the cooperative accomplishments are measured by the commitment of its members, respect due to the principles and values, good governance, equitable distribution of surplus, and ability to build a strong equity base.

All the results obtained during the research process were analyzed in the framework of the goals set forth in the SMEWG Strategic Plan for 2013-2016, namely the ability to determine the true potential of the CBM as a viable tool to strengthen SMEs competitiveness.

The policy views, whether explicitly stated, inferred or interpreted from the contents of this research have been developed by the Consultant according to the literature review and interviews conducted during the project. They not necessarily reflect the views of the contributors. **The research study presents a set of recommendations that also evidence potential sectors for alliances between cooperatives and SMEs.**

# I. The Cooperative Business Model

## 1.1 Background and institutional framework

Cooperatives can play a major role in society by creating jobs, business opportunities and social inclusion. A cooperative is a commercial partnership organized, financed, and directed by its members with the sole purpose of accomplishing the common good.

The spirit of cooperation is among the most prominent characteristics of living in society. At the dawn of civilization, cooperation appeared in hunting, agriculture, fishing and other similar endeavors aimed at meeting people's needs. However, in the mid XVIII century, the cooperative movement took shape as a response to the Industrial Revolution. Some highlights of the cooperative movement are the following:

- 1821: **United Kingdom**, first publications on cooperative principles. "The Economist" first uses the term "cooperation". **Robert Owen (1771-1858)**, regarded as the founder of the cooperative movement, proposed an economic system based on cooperation to reduce the level of conflict in the English capitalist system.
- 1832 **United Kingdom**, 500 cooperatives in the production and distribution sectors seek to replace the capitalist system.
- **George Fauquet**, a reformer of the cooperative thinking. He embraced the concept that cooperatives were not as a response to capitalism but as a consequence of the associative spirit of the working classes. He identifies three economic sectors: state, private (capitalist) and solidarity-based (cooperative).<sup>3</sup> For him, **cooperatives are children of necessity**.
- 1844: **United Kingdom, Rochdale Society of Equitable Pioneers** is the first consumers' cooperative founded. It becomes a symbol of the cooperative spirit and a model for practical application of the cooperative principles. It establishes the birthmark of the modern cooperative movement.

Historical evidence demonstrates that cooperatives were already presented in APEC region even before the birth of the modern cooperative movement<sup>4</sup>. In 1895, the International Cooperative Alliance (ICA) was established to protect and defend the values and principles of cooperatives as well develop international alliances<sup>5</sup>. Since then, ICA has become the Apex organization for the cooperative movement, that represents the cooperatives worldwide and creates strong alliances that comprises cooperatives around the world and international organizations.

<sup>3</sup> Bassi et al (1977). *Cooperazione e Cooperative*

<sup>4</sup> Mogrovejo, Mora & Vanhuynegem (2012). The Cooperativism in Latin America.

<sup>5</sup> ICA. History of ICA: <http://ica.coop/en/history-ica>

ICA works to strengthen the CBM as the business model for the future focusing into its great potential to create better conditions for economic, social, and environmental sustainability.

However, ICA does not work without help because international organization as United Nations<sup>6</sup>, International Labour Organization (ILO) and Food and Agriculture Organization of the United Nations (FAO) also support cooperatives and have recognized their important role in the economic and social development. ILO contributes to improve policy making and increase employment conditions for cooperatives; meanwhile FAO works to promote and develop better environments for cooperatives in agriculture, fishery and forestry sectors; and increasing food security.

In 1971, the cooperative movement, and the United Nations and its agencies created the Committee for the Promotion and Advancement of Cooperatives (COPAC) to promote and coordinate sustainable development of cooperatives. COPAC members work together to support sustainable cooperative development by promoting and raising awareness on cooperatives, holding policy dialogues, and advocating policies that enable cooperative success<sup>7</sup>.

In APEC region, the commitment with cooperative development became even stronger in economies with important presence of cooperatives like Japan, Korea and United States. In this context, there were allocated funds and coordinated programs oriented to increase research on the impact of cooperatives in economy, improving laws, strengthen management capacities and also foster women and youth participation.

The relationship between APEC developed and developing was also strengthened by means of programs and donations focused on improving conditions of cooperatives mostly in rural areas struggling with poverty and unemployment. During the 1980s and 1990s, large enterprises and SMEs further boosted their presence in the markets due to the globalization process, but cooperatives remained with lesser attention and support, in spite of their potential mainly in agriculture sector.

In 2001, the United Nation General Assembly adopted the United Nations guidelines aimed at creating a supportive environment for the development of cooperatives. The draft guideline annexed to the Report of United Nation Secretary-General provided recommendations on policy concerning cooperatives and cooperative movements<sup>8</sup>.

In 2002, ILO adopted its Recommendation 193 (see Annex) in order to enhance the role of cooperatives through the implementation of better policies and actions. This recommendation created new challenges for cooperatives as a business model, and it

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<sup>6</sup> Ms. Maria Chavez Hertig shared her expert opinion regarding the international organizations and their role in cooperatives development.

<sup>7</sup> <http://www.copac.coop/>

<sup>8</sup> COPAC: <http://www.un.org/documents/ga/docs/56/a5673.pdf> (COPAC played an important role in the formulation of the guideline)

also recognized their importance in job creation, mobilizing resources, generating investment and their contribution to the economy.

In this framework, States were called to create better conditions for the participation of cooperatives in the economy, throughout the revision of the legislation and regulations, the adoption of measurements to facilitate cooperatives access to legal, fiscal, market and credit services; and the promotion of the cooperative movements. ILO Recommendation 193 suggested the adoption of principles and values of cooperatives in the legislations and regulations.

In 2004, ILO launched **Promoting Cooperative a Guide to ILO Recommendation 193**<sup>9</sup> including more recommendations to improve public policies and practices for cooperatives. The promotion of cooperatives should be considered as a pillar of national and international economic and social development.

Each national or international initiative have increased the dialogue and research on cooperatives; and also strengthened the relationship between cooperatives and their apex organizations. However, it is the pressure of the global economy scenario, and the effects of financial international crises which have contributed the most to explore into the feasibility of the cooperative model for supporting supply chain, market access, sustainability and social inclusion.

In the APEC developed and developing, the research on cooperatives has increased considerably. Economies are paying higher attention to the issues that affect cooperative development and competitiveness; but there are still many obstacles for the cooperative survival, and it is also needed a stronger institutional framework for the promotion and planning.

Since 2012, leaders from ILO and ICA have strengthened alliances to increase the dialogue about youth in cooperatives, and foster the role of cooperative education. APEC leaders instead, are taking forward public and private initiatives towards providing more training facilities and consultancy to cooperatives, in addition to improving cooperative legislation and policy making.

Organization for Economic Cooperation and Development (OECD) also supports the important role of CBM. Since it has influence not only on job creation; but also in building a more equitable and mutually supportive economy, OECD also coordinates initiatives oriented to increase cooperatives participation in productive sectors, technology and innovation.

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<sup>9</sup> [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---coop/documents/instructionalmaterial/wcms\\_160221.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---coop/documents/instructionalmaterial/wcms_160221.pdf)



## 1.2. Definition, values and principles<sup>10</sup>

Many definitions of cooperative principles and cooperatives are available. These definitions have evolved together with the ideological principles that sustaining them, as with the growth of the economies, and the social and cultural evolution of their respective territories.

**Cooperative spirit** is a social and economic response to meet needs jointly. When needs cannot be satisfied individually, solidarity is required to develop alternative means to satisfy those needs through mutual help.

The cooperative movements have been working together to establish a universally accepted definition for cooperatives which appears in the ICA Statement of Cooperatives Identity 1995, included in the UN Guideline 2001, and in the ILO Recommendation 193.

*"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."*

This definition is also support by a set of principles and values that contribute to the pursuit of the objectives and to the decision making process.

### Cooperative values:<sup>11</sup>

- a. **Mutual help** to strengthen group values, joint efforts and mutual responsibility.
- b. **Individual responsibility**, to commit the cooperatives members to cooperative organization. Cooperatives promote responsibility as a personal value.
- c. **Democracy** to ensure participation, commitment, and responsibility. Democracy is at the foundation of governance.
- d. **Equality** among members, regardless of gender, condition or legal status, whether juridical or natural.
- e. **Equity** in treatment and compensation of the cooperative's members.
- f. **Solidarity**, because cooperatives share group and unity values.
- g. **Honesty** as a foundation for prosperity.
- h. **Transparency** a determining factor in accountability.
- i. **Social responsibility** because cooperatives have a commitment to their communities and the environment where they operate.
- j. **Concern for others**, as an ethical value characteristic of the relationships in which cooperatives engage in their social, economic, and cultural environments.

<sup>10</sup> Frequent spelling is **Co-operative**. However, it changes from region to region according to the language. This research takes into consideration **Cooperative** for text and **COOPs** for tables.

<sup>11</sup> Based on ICA's Cooperative Governance Handbook.

## Seven Cooperative Principles<sup>12</sup>

1. **Voluntary and open membership:** Cooperatives are voluntary organizations, open to all people able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
2. **Democratic member control:** Cooperatives are democratic organizations controlled by their members who actively participate in setting policies and making decisions. In primary cooperatives members have equal voting rights (**one member, one vote**) and cooperatives at other levels are also organized in a democratic manner.
3. **Members' economic participation:** Members contribute equally to the capital of the cooperatives. This benefits members in proportion to the business they conduct with the cooperative rather than on the capital invested.
4. **Autonomy and independence:** Cooperatives are autonomous, self-help organizations controlled by their members. **If the cooperative enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the cooperative's autonomy.**
5. **Education, training and information:** Cooperatives provide education and training for members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. Members also inform the general public about the nature and benefits of cooperatives.
6. **Cooperation among cooperatives:** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.
7. **Concern for community:** While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members.

### 1.3. Types and tiers

There many types of cooperatives, however the following are the most common types in APEC region<sup>13</sup>:

- a. **Producers cooperative:** considered primary cooperative and in charge of the activities in productive sectors as agricultural, forestry, fishery, industrial or handicraft.
- b. **Credit unions or saving and credit cooperatives:** working in the financial sector with savings of members and creating funds in order to grant loans for production. Credit unions provide access to saving and credit to members and

<sup>12</sup> Principles and values, adopted by the International Co-operative Alliance in 1995

<sup>13</sup> Types selected by using the ICA definition.

non-members as individuals and SMEs. They are also operating in micro credit in a very effective way.

- c. **Consumer cooperative:** to procure and distribute commodities and services to members and non-members.
- d. **Service cooperative** provide to the community services as insurance, housing, labor, electricity, water, and others.
- e. **Workers cooperatives:** owned by some or all of the workers of the cooperatives. Depending on the start-up capital needed, they can offer workers a chance to own their own company with very little financial investment.
- f. **Multi-purpose cooperative** combines two or more of the business activities of these different types of cooperatives.
- g. **Multi-stakeholder** brings together a variety of different types of members and can include individual, government authorities, and business entities.

On the other hand, the tiers help to understand their alliances. These are the most frequent types of tiers:

- 1. **First-tier cooperative:** also known as primary cooperatives (individual enterprises) related with main activity, mostly productive or services.
- 2. **Second-tier cooperatives:** Join together to achieve common purposes such as buyers' cooperatives or central agricultural cooperatives (local, provincial, regional).
- 3. **Third-tier cooperatives:** organization or alliance of second tier-cooperatives such a federation.
- 4. **Fourth-tier cooperatives:** International cooperatives institutions that promote cooperatives on global, e.g. ICA and WOCCU<sup>14</sup>.

## 1.4. Role of government and cooperative legislation<sup>15</sup>

The role of government and cooperative legislation are critical issues for cooperatives development. On the one hand, cooperatives have not had enough government's attention since their role in economic growth and alleviation of poverty is less relevant in relation to other economic activities and business models. On the other hand, cooperative legislation is complex as cooperatives are of many types and operating in numerous sectors. Consequently, there are not uniform regulations and laws that may well facilitate their competition.

Cooperatives require efficient laws that should address tax and labor treatment as well as establish clear incorporation statutes, and include organization, auditing and oversight regulations. Better legislations will allow cooperatives to build stronger organizations and accomplish objectives according to their principles and values.

<sup>14</sup> See acronyms and chapter V.

<sup>15</sup> Dr. Carlos Torres Morales (TyTL Law Firm) was interviewed to verify details regarding legislation on cooperatives.

At the same time, they also require government intervention through national plans or policies oriented to increase their participation in economic growth, sustainability, and social inclusion. More harmonized policies may allow cooperatives to align with other business models and enhance their competitive options.

Since 1993, due to several ILO initiatives<sup>16</sup>, economies in APEC and other regions are revising their cooperatives policies and legislation. In 1996, ILO published a framework on cooperative legislation, followed by **Guidelines for cooperative legislation** in 2001 (its third revision edited 2012)<sup>17</sup>. This guideline offers a complete analysis of the CBM from the legal point of view and make evidence the necessity of harmonize legislation and international regulation with the intention of help the model to innovate and increase its impact in the economic growth.

During the observance of the 2012, the International Year of Cooperatives, most of the States committed to promote and continue improving conditions for the cooperatives' development. In this context, developed and developing economies are presently enacting public policies, revising their rules and regulations, and preparing strategic plans for cooperatives to operate under updated regulations and laws that fully reflect their principles and values and with clear objectives to build a stronger CBM from both social and economic standpoints.<sup>18</sup>

Cooperatives legislation is a critical issue within the APEC region. Mainly in developing economies, cooperative law do not distinguish among the various types of cooperatives nor do they reflect all cooperative principles; and these laws fail to address the role of the State. Such is the case of agriculture, consumer and other cooperatives that are regulated by the same tax, labor and market rules; saving and credit cooperatives that are regulated by financial institutions and not necessarily by the cooperative law. This situation creates legal voids that, subsequently, are filled through amendments and abrogation that results in over-regulation.

Concerning the modernization and updating of cooperative law, questions arise regarding how cooperatives would react in the face of increasing competition, the challenges posed by the need to increase market share, and what should be the role of the State. As regards competitiveness, a better-organized and friendlier cooperative legislation would encourage partnerships with other business models therefore more opportunities for new business and start-ups.

A cooperative legislation does not limit alliances with other business models furthermore, cooperative are involved with different types of ventures and alliances

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<sup>16</sup> COOPREFORM

<sup>17</sup> ILO; [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/documents/publication/wcms\\_195533.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_195533.pdf)

<sup>18</sup> Cooperative law: those legal rules-laws, administrative acts, court decisions, jurisprudence, cooperative by laws/statute or any other source of law – which regulates the structure and/or the operations of cooperatives as enterprises in the economic sense and as institutions in legal sense. Hagen, Henry. (2012). *Guidelines for Cooperative Legislation*. International Labour Office (ILO).

worldwide, but the discussion is centered in their conditions to compete and overcome their main obstacles.

The Cooperative Society Act is the basis for cooperative regulations in Asian countries, whereas cooperatives in Latin America are typically governed by a specific cooperative law.

**The cooperative act** is the pillar of the cooperative legislation and governs the operation of cooperatives and their members as well as the relationships among cooperatives for accomplishing their cooperative objectives.

## 1.5. Cooperatives and other business models

Cooperatives principles and values make this business model viable for reliable alliances with other business models; however, only when cooperatives incorporate the principles of enhanced management and administration, they are able to understand market dynamics and partnerships, and reaching a high potential in the short, medium and long run.

Cooperatives interact with various business models through joint ventures, capital ventures, private public projects, and partnerships in order to obtain major productivity and competitiveness. They are operating in economic sectors that are potential for enterprises trying to enter into the supply chain in local and global markets.

Concerning the relationship between cooperatives and SMEs, the partnerships can strengthen the competitiveness of enterprises in both models. SMEs are flexible structures that tend to cluster to build stronger networks and struggle with scale issues; meanwhile cooperatives are reliable structures that try to stay viable but not necessarily increase scale. Several differences and similarities can be analyzed using the following considerations:

Cooperatives	SMEs
Cooperative definition involves different criteria as types, tiers, number of members, number of employees and turnover.	SMEs definition involves different criteria as in number of employees, turnover, capital, assets, sales and sectors.
Cooperative law	Society law
Members become shareholders, cooperatives require keeping a reserve fund, earnings before interests and taxes are divided among members, and members invest in the cooperatives.	Partners become shareholders. According to the constitution of the firm, the founding manager and partners make decisions on earnings and investments. Earnings could be invested in other businesses and firms.
Voting rights for decision making.	Decision making according to business plan.

Organization structure: general assembly, board of directors, committees (supervisory, electoral, auditing), general manager, divisions (financial, commercial)	Organization structure: President, board of director, general manager, division managers. It depends on the type of structure and management style.
Cooperatives, according to law, play a crucial role in the poverty reduction worldwide. CBM is effective to reduce informality.	SMEs play an important role in industrialization and a crucial role in poverty reduction in developing.
Higher rate of long term employment.	SMEs have contributed to the employment expansion in developing economies.
People joint together with a vision and mission, it is required a minimum of 5 people (according to law), to create a cooperative. Therefore more opportunities to create formal jobs.	Single owner with a vision and mission. A single owner firm can survive with outsourcing.
Cooperatives can create more job opportunities for young people and women in rural areas.	SMEs create more job opportunities for young people and women in urban areas.
Principles and values are the pillar of cooperatives.	Principles of management settle the basis of the SME performance. Social responsible firms consider principles of sustainability.
It is all a matter of trust.	Trust can be difficult to achieve.
Governance, management and training contribute directly to the successful of cooperatives.	Business plan, decision making, management and investment contribute directly to successful of SME.
Win – win relationship.	Win-lose or win-win relationship.
Start-up requires member decision to solve a necessity.	Start-up requires a business initiative and capital.
In some developing APEC not very strong institutional frameworks, good relationship with ONG's, effective relationship with international organizations.	In all developing APEC, strong institutional framework, good relationship with ONG's, effective relationship with international organizations.
Cooperatives are driven by economic and social concern.	SMEs are driven basically by economic concern and entrepreneurial motivation.

## II. Cooperatives status and best government practices<sup>19</sup>

Cooperatives are creating more than 100 million jobs and there are almost one billion people that are members of cooperatives all around the world<sup>20</sup>. There are more people working in cooperatives than in multinationals and also more people is accessing to services, credit and fair prices because of the cooperative work and membership. They create networking and clustering to support large firms and SMEs but unfortunately the model has not reached its real potential yet.

According to the data collected for the project, there are 232,115 cooperatives in the APEC selected economies including Hong Kong, China and United States<sup>21</sup>; and these cooperatives are spanning in all economic sectors, i.e. agriculture, finance, wholesale retail, fisheries, health, housing, insurance and services. The **World Cooperative Monitor 2012** also considered Canadian, Japanese and Korean cooperatives in the list of 300 largest cooperatives and mutual organizations in the world.

In this context, and after reviewing the main aspects of cooperatives movements in chapter one; this chapter provides information about the cooperatives status in the APEC economies selected for the project. Particularly, a survey for government was designed to obtain widespread information concerning the status of cooperatives but mostly about their legislation, regulation, policies and strategies, training programs and others related to the innovation of the cooperative business model.

Canada, Chile, Malaysia, Peru and Viet Nam sent their replies explaining their reforms and practices implemented to increase participation of cooperatives in the economic growth, creation of new business and social inclusion. The information provided by the authorities was enriched with the facts and figures obtained from literature review.

Indonesia, Japan, Korea, and Thailand did not answer the survey for government; however these economies provided information i.e. total number of cooperatives, cooperatives by sectors, connection among their cooperatives and SMEs, role of SMEs in their economies and women participation. This information was used to prepare chapter III, chapter IV, conclusions and Annex.

<sup>19</sup> It is possible to visit the website of the public entities and organizations by clicking on their logos.

<sup>20</sup> Chavez, Maria - ILO COOP. 100 million jobs, the contribution of cooperatives to employment creation.

<sup>21</sup> Hong Kong, China: 200 cooperatives – Data Source: Survey on government Project SME 03 12. United States: 30,000. There are not included housing cooperatives. Data Source: Mr. Barry Silver - Executive Vice President, National cooperative Bank (USA).

## 2.1. Canada<sup>22</sup>

CANADA : INDICATORS	2012
<i>Population (millions)</i>	34.88
<i>GNI per Capita (current US\$)</i>	50,970
<i>GDP (current US\$ -billions)</i>	1,821.42
<i>GDP growth (annual %)</i>	1.71
<i>Unemployment rate</i>	7.29*
<i>Exports of goods and services (% of GDP)</i>	29.72
<i>Imports of goods and services (% of GDP)</i>	31.64
<i>Merchandise trade (% of GDP)</i>	51.04

\* World Economic Outlook Database, October 2013 -IMF

Source: World Bank 2013

COOPERATIVE AT A GLANCE	2009
<i>Total number of cooperatives</i>	9,020
<i>Total number of members in non-financial cooperatives (million)</i>	7.2
<i>Total number of members in financial cooperatives (million)</i>	10.8
<i>People working for Canada's cooperatives</i>	156,000
<i>Total volume of business (CAD\$ billion)</i>	47
	2013
<i>Percentage of population belonging to at least one cooperative in Quebec*</i>	70%
<i>Highest per-capita credit union membership in the world (%)**</i>	33
<i>Canadian cooperatives' assets (CAD\$ billion) **</i>	370

Source: Industry Canada, *Cooperatives in Canada in 2009*

(\*) Expert opinion SOCODEVI – APEC SME 0312 Interviews. Total population Quebec 8,002,098

(\*\*)Canadian Cooperative Association – 2013

<sup>22</sup> On 27 March 2014, 1.00 US\$ = 1.11 CAD\$, at an exchange rate of 1.1057 (using nominal rate) - Source: Bank of Canada



### 2.1.1. National authority



**Industry Canada (IC)** is the Government of Canada's centre of microeconomic policy expertise. As part of a broad mandate to help make Canadian industry more productive and competitive in the global economy, thus improving the economic and social well-being of Canadians, IC is in charge of fostering the strategic role of cooperatives in the Canadian economy.

Industry Canada's mandate comprises three key strategies:

- **Fostering the knowledge-based economy:** Investing in science and technology to generate knowledge and provide Canadians with the skills and training to compete in global economy.
- **Advancing the marketplace:** Developing and managing economic framework policies that promote competition and innovation, and instil consumer, investor and business confidence.
- **Supporting business:** Encouraging business innovation and productivity, in order to create wealth and generate jobs.

IC, through its **Cooperatives Policy Unit**, provides analysis and advice to promote cooperative business innovation and growth in Canada. Cooperatives Policy was transferred from Agriculture and AgriFood Canada to IC in 2013. With this transfer, Industry Canada, already responsible for administering the federal *Canada Cooperatives Act* and for the incorporation of federal cooperatives, now provides a single focal point for cooperatives. Responsibility for financial cooperatives remains with **Finance Canada**.

### 2.1.2. Institutions and organization<sup>23</sup>

A new national Apex organization will be launched on 1 April, 2014; and it will represent cooperatives and mutuels in Canada, regardless of language or geographic region.

**Co-operatives and Mutuels Canada (CMC)** will incorporate the Canada based work of two founding organizations, the **Canadian Cooperative Association** and **le Conseil canadien de la coopération et mutualité**. CMC will promote the cooperative business model, with a focus on government relations, cooperative development in Canada, research and education, and facilitating communications and dialogue among cooperatives. Canadian cooperatives are also represented at the provincial level by provincial co-operative associations.

<sup>23</sup> Since 1 April, 2014 will also mark the launch of a new web site and domain name to serve all participants in the cooperative economy in Canada: [www.canada.coop](http://www.canada.coop)

### 2.1.3. Legislation

Canada Cooperatives Act  
(S.C. 1998, c. 1) <http://lois-laws.justice.gc.ca/eng/acts/C-1.7/>

Canada Cooperatives Regulations <http://laws-lois.justice.gc.ca/eng/regulations/SOR-99-256/index.html>

Canada has 14 corporate statutes that can create and regulate cooperatives. The Federal statute is the Canada Cooperatives Act. **Each of the provinces and territories has enacted statutes to regulate cooperatives.**

According to the Canada Cooperatives Act, a cooperative entity is defined as a body corporate that, by the law under which it is organized and operated, must adhere to cooperative principles.

The Canada Cooperatives Act includes special provisions for non-profit housing cooperatives and worker cooperatives. Depending on the type of cooperative, special rules may apply under the tax regime (Income Tax Act).

### 2.1.4. Outlook and perspectives<sup>24</sup>

Cooperatives were first established in Canada in the 1800s. Mutual insurance companies were the first cooperatives businesses established in 1830s by farmers. The earliest known consumer cooperative was organized at Stellarton, Nova Scotia, in 1864. Between 1860 and 1900, dairy farmers in Quebec, Ontario and Atlantic Canada developed cooperative creameries and cheese factories to process their products<sup>25</sup>.

In the early 1900s, prairie grain farmers created cooperatives to sell and market their grain and the development of cooperatives to meet farmers' needs continued with the development of Canada<sup>26</sup>. The cooperative model continued to diversify in other sectors of the economy. In 1900, Alphonse Desjardins established the first caisses populaire in Quebec, beginning the expansion of cooperatives into the saving and credit sector.

Today, Canadian cooperatives are composed of non-financial (89.5%) and financial (10.48%). Approximately 51.6% Canadians are members of a cooperative with 30.9% belonging to a financial cooperative.

The largest number of cooperatives belongs to the housing sector (2738). However, agriculture, wholesale and retail cooperatives hold over 92% of the total volume of business generated by non-financial cooperatives.

<sup>24</sup> Report Cooperatives in Canada 2009. Industry Canada 2013

<sup>25</sup> Ian MacPherson, "Cooperative Movement," Historica Canada  
<http://www.thecanadianencyclopedia.com/en/article/co-operative-movement/> (2013)

<sup>26</sup> Ibid

Canadian cooperatives continue to demonstrate a steady increase in economic activity in Canada. For example, non-financial cooperatives reported a volume of business of CAD\$29.7 billion in 2000 and CAD\$33.9 billion in 2009 (a 14.1% increase). With regards to the members of cooperatives, caisses populaires and credit unions, and non-financial cooperatives increased significantly in number from 2000 to 2009 (a 12.5% and 50% increase respectively)<sup>27</sup>.

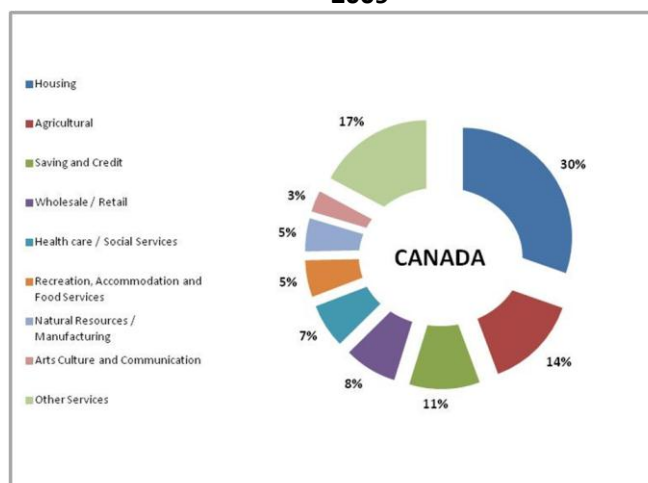
Cooperatives in Canada are active in health and social services (including social inclusion), low income housing, ethno-cultural and immigrant communities, employment and skills development, renewable energy, community economic development (including aboriginal, rural and remote communities), sustainable agriculture and environmental stewardship, and financial services.

**Table 3: Cooperatives in Canada by number**

TYPE	N° COOPs
<b>CANADA</b>	<b>9,020</b>
Housing	2,738
Agricultural	1,259
Saving and Credit	945
Wholesale / Retail	708
Health care / Social Services	592
Recreation, Accommodation and Food Services	494
Natural Resources / Manufacturing	445
Arts Culture and Communication	288
Other Services	1,551

Source: Co-operatives in Canada in 2009 / Project SME 0312 - Surveys for Government Oct 2013

**Graphic 1: Cooperatives in Canada by sector (%) 2009**



In Canada, the cooperatives in rural and remote areas have often succeeded where other forms of business have failed or been absent.

During 2012, the Government of Canada worked with the national cooperative movements to observe the “United Nation IYC”<sup>28</sup> a successful effort to promote the benefits of the CBM and raise awareness of the contribution of cooperatives to Canada’s social and economic development.

The Government of Canada’s contributions included financial support to the International Summit of Cooperatives as well as the Canada 2012 website ([www.canada2012.coop](http://www.canada2012.coop)) The Government of Canada launched the **Guide to Government Programs Available to Cooperatives (2012)**<sup>29</sup>.

<sup>27</sup> Industry Canada (2013). *Cooperatives in Canada in 2009*.

<sup>28</sup> See abbreviations

<sup>29</sup> [http://www.canada2012.coop/assets/files/Agri-Food\\_COOP-Guide\\_EN-WEB.pdf](http://www.canada2012.coop/assets/files/Agri-Food_COOP-Guide_EN-WEB.pdf)

### Box 1: Strengths and weaknesses of CBM in Canada

#### Strengths

- Cooperatives have a strong presence in Canada and an important contribution to the economy in provinces and territories.
- Cooperatives are almost present in every economic activity: agriculture, forestry, wholesale retail, financial services, telecommunications and arts.
- Cooperatives are very active in traditional export sectors such as manufacturing and industry, as well as in the sustainable and green sectors such as environmental/habitat, fair trade, organic food and renewable energy.
- The cooperative movements in Canada, with active second and third tier cooperatives, provide strong support to infrastructure at the national and provincial levels for the development and promotion of non-financial and financial cooperatives.
- Cooperatives in Canada create sustainable jobs and have a great potential to improve the quality of life for members and workers.
- Women in cooperatives have great opportunities to develop a career. Active participation of women in management and work.
- Cooperatives are providing viable alternative to precarious employment.
- Universities providing training programs in cooperatives. There are also important center of research in cooperatives.
- Young people also have higher opportunities for job opportunities in cooperatives.
- Canadian cooperatives have an active participation in the “cooperation among cooperatives” domestically and with developing economies.
- Presence of leadership and governance inside cooperatives.
- Effective creation of business networking and infrastructure of support for cooperatives across provinces and territories.
- Solid business and stable economic performance. Cooperatives are organized in order to be financially viable and socially responsible.
- Business lines are aligned with the needs of community members; and therefore are more viable in the long run.

#### Weaknesses

- General awareness and understanding of the CBM is still limited in comparison to other business models that are also present in Canada (i.e. sole proprietors, partnerships and corporations).

#### Strategies<sup>30</sup>

In 2013, the responsibility for non-financial cooperatives was transferred from **Agriculture and Agrifood Canada** to **Industry Canada (IC)**. This transfer aligned with IC's mandate to make Canadian industry more productive and competitive in the global economy. Since the transfer, IC has launched an action plan to support cooperatives' growth and innovation in Canada.

<sup>30</sup> Report of the Special Committee on Cooperatives, a 2012 Parliamentary Committee on cooperatives, is also available to obtain more information about the strategies and challenges of the Canadian cooperatives.

<http://www.parl.gc.ca/content/hoc/Committee/411/COOP/Reports/RP5706528/coopr01/coopr01-e.pdf>

The action plan includes: engaging directly with cooperative stakeholders across Canada; examining federal programs and services to improve cooperative access; working with federal counterparts to understand their cooperative related programs and services and to raise awareness of the co-operative business model; and, reaching out to provincial and territorial counterparts to share information and knowledge.

Cooperatives, as businesses, benefit from general policies that enhance the competitiveness of the Canadian marketplace. **Cooperatives are generally eligible for the SME business development programs and services of the Government.** There are also various provincial policies and programs that support cooperative development across Canada.

The Province of Quebec and the cooperative sector in general (particularly worker cooperatives) have been raising awareness and developing strategies and tools to support the transition process for retiring business owners and to support employees and communities to consider purchasing and converting existing businesses into cooperatives. In this context, the cooperative model is viewed as an alternative tool for employees or members of a community to take ownership of a local business and maintain employment and services particularly in rural and remote areas.

## Challenges

The Government of Canada has been working to increase the awareness of the CBM and the awareness of the range of programs and services available to businesses, including cooperatives.

For example, **Agricultural and AgriFood Canada** administers the *Canadian Agricultural Loans Act* (CALA) program, a financial loan guarantee program that gives farmers easier access to credit. **Industry Canada** manages the Canada Small Business Financing Program (CSBFP) to help small businesses obtain loans.

**Recognition for Canadian Cooperatives:** The Co-operators Group ([www.cooperators.ca](http://www.cooperators.ca)) and Desjardins Group ([www.desjardins.com/ca](http://www.desjardins.com/ca)) are ranked in the Top 10 most sustainable cooperatives in the world<sup>31</sup>. Vancity, ([www.vancity.com](http://www.vancity.com)), The Co-operators Group, Mountain Equipment Co-op, and Desjardins were ranked in the 2013 Top 50 Best Corporate Citizens in Canada<sup>32</sup>. The Co-operators Group, Desjardins, and Vancity were rated “best in class” among Canada’s largest financial institutions in Maclean’s Top 50 Socially Responsible Companies 2013<sup>33</sup>.

<sup>31</sup> Source: Corporate Knights, The Most Sustainable Co-operatives in World Ranking, 2013

<sup>32</sup> Source: Corporate Knights, Top 50 Best Corporate Citizens, 2013.

<sup>33</sup> Source: Maclean’s, Top 50 Socially Responsible Companies, 2013

## 2.2. Chile

CHILE : INDICATORS	2012
Population (millions)	17.46
GNI per Capita (current US\$)	14,310
GDP (current US\$ -billions)	269.87
GDP growth (annual %)	5.62
Unemployment rate	6.10**
Exports of goods and services (% of GDP)	34.20
Imports of goods and services (% of GDP)	33.86
Merchandise trade (% of GDP)	58.92

\* IMF, as of 2012

\*\* Instituto Nacional de Estadísticas, as of 2012

Source: World Bank 2013

COOPERATIVES AT A GLANCE	Oct. 2013
Total number of cooperatives	1,308
Total number of cooperatives created in the last 4 years	574
Total number of members in cooperatives	1,664,322
Members of cooperatives, increase in the last 4 years	337,366
Chilean cooperatives' assets (US\$ million)	5,044
Total number of cooperatives in process of creation	184

Source: Departamento de Cooperativas – Ministerio de Economía Fomento y Turismo de Chile. October 2013

### 2.2.1. National authority<sup>34</sup>



**Departamento de Cooperativas (DECOOP)** –The Department of Cooperatives, under the Sub-Secretariat for Economy and Small Size Companies is responsible for the promotion of cooperatives in Chile. By means of several programs, DECOOP works towards enhancing cooperatives managerial and technical skill and improving regulation to enable cooperatives development. DECOOP is committed to increase the participation of cooperatives in the Chilean socio-economic development. DECOOP is also in charge of the registration, supervision, and control of cooperatives in the different productive sectors and services industries.

### 2.2.2. Institutions and organizations

There is no single association and/or confederation representing all Chilean cooperatives. Several second and third tier federations and confederations have been created over time, including ICECOOP, CAMPOCOOP, and FECRECOOP<sup>35</sup>.

To accomplish its mission, DECOOP relies on the following government agencies:



**CORFO - Corporación de Fomento de la Producción:** a production development agency under the Ministry of Economy, Development and Tourism in charged with the development of entrepreneurship and innovation government policies.



**INDAP – Institute for Agricultural Development:** agency under the Ministry of Agriculture is charged with sponsoring and supporting the productive sustainable development of small scale agricultural ventures operated by peasant households, and various cottage industries.



**SERCOTEC –Technical Cooperation Service:** an agency of the Ministry of Economy, Development and Tourism has the mission of promoting and supporting initiatives to enhance the competitiveness of micro and small companies and build management skills among those entrepreneurs.

<sup>34</sup> This part about Chile was prepared with the contribution of DECOOP. It is recommended to visit Mr. Carlos Schultze presentation on cooperatives: <http://www.produce.gob.pe/proyectos/business-model/docs/Carlos-Schultze-Chile.pdf>

<sup>35</sup> See Acronyms

### 2.2.3. Legislation

A cooperative is defined as an association built on the principle of mutual help to improve the living condition of its members.

General Cooperatives Law	Decree with force of Law Number 05, enacted 25 September 2003 <a href="http://www.decoop.cl/LinkClick.aspx?fileticket=gCnlxl3d%2bho%3d&amp;tabid=115&amp;mid=467">http://www.decoop.cl/LinkClick.aspx?fileticket=gCnlxl3d%2bho%3d&amp;tabid=115&amp;mid=467</a>
Regulations of the General Cooperatives Law	Enacted 7 April 2004 <a href="http://www.decoop.cl/LinkClick.aspx?fileticket=uXIPXOSNJYE%3d&amp;tabid=115&amp;mid=467">http://www.decoop.cl/LinkClick.aspx?fileticket=uXIPXOSNJYE%3d&amp;tabid=115&amp;mid=467</a>

### 2.2.4. Outlook and perspectives

The cooperative movement appeared in Chile in the mid XX century as an initiative of the working classes that later became widespread through the support from government, the middle classes, union labor and the Catholic Church.<sup>36</sup>

The first cooperatives were organized in the consumer, service, insurance, farming, savings, housing, and electricity fields.

*“.....It is fair to say that cooperative principles have been present in several activities in the history of Chile. Terms like minga or mingaco continue to be used, given the Chilean’s geography, traditions and life in the rural communities. Those terms comes from the Quechua minga, which refers to collective and community work that pursues social aims”<sup>37</sup>.*

In Chile, cooperatives are mostly found in the farmers-peasant agriculture (18%)<sup>38</sup>, labor (17%), and service (16%) industries. Cooperatives are not distributed homogeneously by industry; consequently, other sectors, including housing (13%), drinking water (12%) and agriculture (9%) are also significant players in the cooperative sector (See Graphic 2). Saving and credit cooperatives are less relevant (4%).

Most cooperatives are located in the Santiago Metropolitan Region and Valparaiso Region, noteworthy for their productive and industrial development. Agricultural cooperatives are predominant in the Araucanía, Los Lagos and Biobío regions.

<sup>36</sup> Mogrovejo, Mora & Vanhuynegem (2012). *The Cooperativism in Latin America*.

<sup>37</sup> Nayan, Encalada & Serón (2012). *Current Status of Agricultural Cooperatives in Chile*.

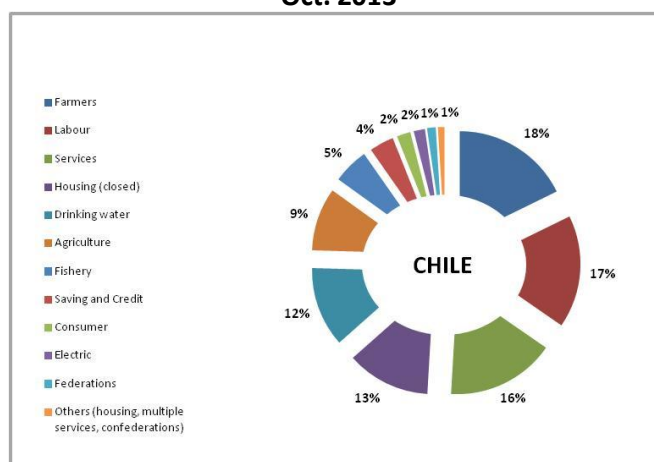
<sup>38</sup> Denominated **Campesinas** in Spanish



**Table 4: Cooperatives in Chile by number**

TYPE	N° COOPs
<b>CHILE</b>	<b>1,308</b>
<i>Farmers</i>	232
<i>Labour</i>	221
<i>Services</i>	213
<i>Housing (closed)</i>	164
<i>Drinking water</i>	157
<i>Agriculture</i>	124
<i>Fishery</i>	70
<i>Saving and Credit</i>	48
<i>Consumer</i>	27
<i>Electric</i>	22
<i>Federations</i>	17
<i>Others (housing, multiple services, c</i>	13

Source: Departamento de Cooperativas, Ministerio de Economía, Fomento y Turismo de Chile -Oct 2013

**Graphic 2: Cooperatives in Chile by sector (%)****Oct. 2013**

Chilean cooperatives can be classified as **economically important** and **non-economically important**.<sup>39</sup> Economically important cooperatives are not the most numerous, but a significant amount of these cooperatives are operating in the saving and credit sector, and have increased participation in the Chilean financial system. Chilean credit unions also have an important role in the creation of job opportunities for women<sup>40</sup>. During 2012, economically important cooperatives make up only 6% of the total number of cooperatives. The peasant agricultural cooperatives, which are the most numerous, and are considered not economically important, represent 70% of the total.

Chile promotes the CBM within its economic and social development strategy. Macroeconomic indicators reveal Chile is a healthy, investment-friendly, and open market economy. Exports account for 34.2% of GDP. Chile's economic structure is robust and its foreign trade promotion system encourages SMEs' globalization.<sup>41</sup>

An integrated cooperatives system would strengthen Chilean export-oriented SMEs' competitiveness, enhance job creation and incomes in rural areas, and improve the quality of living of poor and indigent vulnerable populations. Chile has relevant dairy cooperatives creating job opportunities to small farmers and young people.

<sup>39</sup> For purposes of the General Cooperatives Law, economically important cooperatives are credit unions, open housing cooperatives and all others with assets equal to or higher than 50,000 development unit (unidades de fomento- UF) or with more than 500 partners. 1 UF= 44.2 USD. Values of 18 December 2013, 1 USD=\$526.38; 1UF=\$23,270.57. Central Bank of Chile.

<sup>40</sup> DECOOP (2013). *La Participación de la Mujer en el Sistema Financiero Cooperativo*.

<http://www.decoop.cl/LinkClick.aspx?fileticket=4wX4stlB6E%3d&tabid=363>

<sup>41</sup> PROCHILE. Chile's foreign trade promotion board.

## Strategies

Since 2010, the Chilean government has actively contributed to develop the cooperative sector mainly through legal, tax and educational support. Promotion, dissemination and training initiatives have increased by **over 300%**. Regarding to the legal framework, a project to modify the Cooperative Law has been proposed with three important central points: modernization, equity consolidation, and creation of new cooperatives.

### Box 2: Strengths and weaknesses of CBM in Chile

#### Strengths

- Chilean state is committed to innovation of CBM through DECOOP and its development programs.
- DECOOP team comprised of experts with vast management, advocacy and industry experience and skills.
- A well-positioned cooperatives structure in key areas for job creation, and for improving living conditions and infrastructure: housing, drinking water, agriculture, labor and services Cooperatives are very productive in the agricultural business for local and global markets: dairy, Pisco brandy and wine industries.
- Cooperatives have a lot of potential to develop niche product as “Pisco” brandy.<sup>42</sup>
- Cooperatives can help SMEs to be competitive in exporting business lines as: agroindustry, food and flower growing.
- Cooperatives are familiar with export culture, food safety and sustainability issues.
- Chile recognizes the role played by cooperatives as an effective instrument to job creation, solve social problems and sustainability.
- Active involvement of women principally in the savings and credit cooperatives’ activities.
- International strategies and partnerships in place to build technical and management skills.

#### Weaknesses

- Little awareness of enterprises striving to achieve not only economics but also social and goals.
- Cooperative law requiring changes.
- Lack of professional expertise in cooperatives (financial, accounting and marketing skills).
- Inefficient federations and confederations.
- Limited understanding of CBM by SMEs.
- Sharing principles and values is a complex issue by members and workers.
- Board of Director and leaders do not encourage generational succession.
- Limited skilled labor and access to modern technologies and ICT.
- Restricted capitalization and access to credit.
- Scant involvement of producers in associations or organization mainly in rural areas.

The agencies CORFO, INDAP and SERCOTEC operate a total of 213 programs aimed at fostering entrepreneurship and improving business competitiveness. Cooperatives

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<sup>42</sup> Grape spirit.

participate in all these programs actively with the result of improvement their technical and management skills, in addition to getting better access to financing<sup>43</sup>.

### Challenges

- Add momentum to the agricultural cooperative sector to expand the exporting industry.
- Introduce modern and effective regulation.
- Foster the relation with SMEs, mainly with exporting companies. Better use of Free Trade Agreements to mainstream cooperatives into international markets<sup>44</sup>.
- Position Chile as a worldwide successful case in the innovation of CBM.
- Strengthen the principles and values of the cooperative movement to reinforce community linkages and social inclusion.
- Foster gender mainstreaming in the cooperative.
- Foster strategies for developing the cottage industry, peasant farming, agricultural, fishing and labor sectors. Encourage training and understanding of the social role of cooperatives.

Chile enhances the innovation of CBM as a State policy. Initiative and strategies to promote the model are oriented towards creating better conditions to economic growth and development.

## 2.3. Malaysia

MALAYSIA : INDICATORS	2012
<i>Population (millions)</i>	29.24
<i>GNI per Capita (current US\$)</i>	9,820
<i>GDP (current US\$ -billions)</i>	305.03
<i>GDP growth (annual %)</i>	5.61
<i>Unemployment rate</i>	3.03*
<i>Exports of goods and services (% of GDP)</i>	87.47
<i>Imports of goods and services (% of GDP)</i>	75.54
<i>Merchandise trade (% of GDP)</i>	139.69

\* World Economic Outlook Database, October 2013 -IMF

Source: World Bank 2013

<sup>43</sup> See Annex - statistics related with the creation of cooperatives in Chile obtained from Mr. Schultze presentation.

<sup>44</sup> See Chilean Free Trade Agreements: <http://www.direcon.gob.cl/acuerdos-comerciales/>

COOPERATIVES AT A GLANCE	2012
Total number of cooperatives	10,087
Total number of members in cooperatives	7,028,715
Number of women in cooperatives ( members)	52,803
Percentage of Consumer cooperatives (%)	44
Total number of cooperatives represented by the Malaysian National Cooperative Movement**	5,357
Annual growth in number from 2006 to 2010 (%)*	14
Total turnover 2012 (US\$) Billion	9.5

Source: Suruhanjaya Koperasi Malaysia 2013- Survey for Government APEC SME 0312 – Nov.2013

(\*)Annual Report 2010 - Suruhanjaya Koperasi Malaysia

(\*\*) Malaysia Cooperative Movement, Survey for Cooperatives. - APEC SME 0312 – Nov 2013

### 2.3.1. National authority



**Suruhanjaya Koperasi Malaysia** (Malaysia Cooperatives Society Commission) at the Malaysian's Ministry of Domestic Trade, Cooperatives and Consumerism

Malaysia Cooperative Society Commission (MCSC) is in charge of the regulation and registration of the Malaysian cooperatives. The MCSC works toward enhancing the competitiveness of cooperatives and creating better conditions to improve their participation in the economy.

One of its main objectives is to help cooperatives to become stronger, progressive, and equipped with integrity. Two important objectives of the MCSC's mission are to build a more competitive human capital and to strengthen the entrepreneurial culture.

The activities of the MCSC are also supported by the Cooperative College of Malaysia ([www.mkm.edu.my](http://www.mkm.edu.my)) and the Ministry of Domestic Trade, Cooperatives and consumerism.

### 2.3.2. Institutions and organizations



The **Malaysian National Co-operative Movement – ANGKASA** is the Apex organization responsible for integrating and representing cooperatives in Malaysia.

The Malaysian National Co-operative Movement works national and worldwide and its main activities are:

- To provide educational and support services.
- To increase understanding and practices of cooperatives principles and values (ILO recommendation 193).
- To foster national and international networking.
- To identify new business areas and opportunities for existing cooperatives.
- To foster training for management.
- To promote the creation of new cooperatives.

### 2.3.3. Legislation

Cooperatives in Malaysia are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. Following the statement of the cooperative identity of 1995, Malaysian cooperatives also observe the seven universally accepted principles<sup>45</sup>. Subsection 4 (a) – (c) of the Cooperative Societies Act of 1993 defines cooperative as primary, second tier and Apex cooperatives.

Malaysia Cooperative Societies Commission Act 2007 (Act 665)	<a href="http://www.skm.gov.my/documents/10157/91864127-e483-4aae-a6d7-7fdccbeabede">http://www.skm.gov.my/documents/10157/91864127-e483-4aae-a6d7-7fdccbeabede</a>
Cooperative Societies Act 1993 (Act 502)	<a href="http://www.skm.gov.my/documents/10157/5d67ea0e-ed6d-4d2f-bc54-6aac5b9ab924">http://www.skm.gov.my/documents/10157/5d67ea0e-ed6d-4d2f-bc54-6aac5b9ab924</a>
Does not include a tax regime	

### 2.3.4. Outlook and perspectives

Cooperatives were first established in Malaysia in early XX century. The first cooperative law was approved in 1922, and when Malaysia gained independence in midst XX Century, the cooperative movement became stronger.

<sup>45</sup> ICA principles, based on Rochdale Pioneers.

In Malaysia, 44% of cooperatives operate in the consumer sector followed by agricultural (21%) and services sectors (20%). Cooperatives operating in banking and finances services lead in performance and trust. A moderate risk management and a members' satisfaction approach are the pillars of the two most important banking cooperatives of Malaysia, which represent almost 20% of the total Malaysian economy turnover<sup>46</sup>.

On the other hand, small and micro consumer cooperatives lead by number and members. They are also considered very dynamic but they have many difficulties to survive in long run.

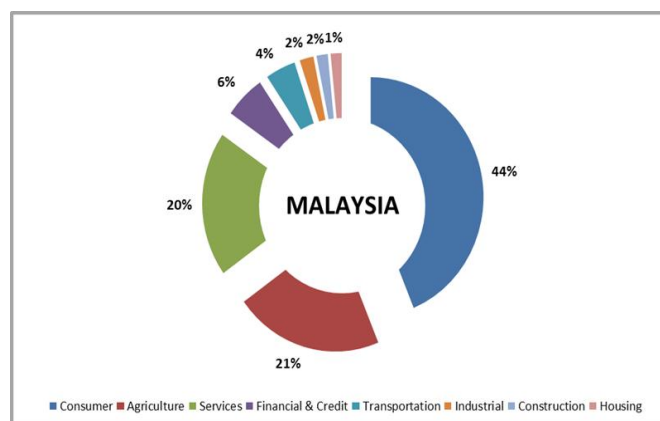
During 2012, cooperatives contributed to the GDP in approximately 5% and had participation in the different economic activities (See Table 5 and Graphic 3). Malaysia was ranked 26 in the World Cooperative Monitor 2012 and its banking cooperatives system is positioning in APEC region<sup>47</sup>.

**Table 5: Cooperatives in Malaysia by number**

TYPE	N° COOPS
<b>MALAYSIA</b>	<b>10,087</b>
Consumer	4,416
Agriculture	2,148
Services	1,975
Financial & Credit	590
Transportation	435
Industrial	201
Construction	163
Housing	159

Source: Project SME 0312 -Surveys for Government Oct 2013. As of Dec 2012

**Graphic 3: Cooperatives in Malaysia by sector (%) 2012**



The national cooperative movement contributes significantly to the implementation of policies and government strategies. It also plays an important role in the relationship of Malaysian cooperatives with cooperative movement abroad, but the most important role is engaged to improve training program, create networking and look for business opportunities.

The National Cooperative Policy is the public guideline to increase cooperative participation in the economic growth and development.

<sup>46</sup> Total turnover 2012: US\$ 9.5 billion. In 2011, Malaysia reached a turnover of US\$ 7,5 billion.

<sup>47</sup> World Monitor Cooperative 2012, Euricse – ICA. Total number of members of consumers cooperatives: 2.588.715 and total number of members of banking cooperatives: 813.553 (Report SMK 2010)

In 2002, National Cooperative Policy 2002-2010 was launched in order to re-build the activities of the cooperative sector and to recognize their role in the economy. By the end of 2010, the number of cooperatives had increased by 14% in the consumer sector, meanwhile the cooperative movement increased its participation to the GDP (7% annual growth in 2010).

### **Box 3: Strengths and weaknesses of CBM in Malaysia**

#### **Strengths**

- CBM is considered an effective model to contribute to the Malaysian national development (National Cooperative Policy 2011-2020)
- The government strongly supports CBM and works towards cooperative excellence.
- Strong Apex cooperative organization.
- Excellent environment for business opportunities.
- Consumers cooperatives are developing in retail, wholesale and brand marketing (Development of COOP1 Brand)
- Cooperatives are stimulated to work in a large scale and adopting modern technologies.
- Potential presences of cooperatives in agriculture that can create networking to allow SMEs, a better performance in exports.
- Cooperatives are also involved in sectors related with the biotechnology, medical and pharmaceutical industries.
- Credit cooperatives are the best cooperatives and ranked in the 100 best.
- Principles in legislation are exposed completely according to ICA.
- Possibilities to obtain credit and market access.
- The performance of cooperatives is improving in the last 10 years.
- The national policy enhancement of human capital creates gender equity and job opportunities for young people.
- Percentage of women in cooperatives is still very limited (0.75%). However, women have access to training programs to increase technical and managerial skills.

#### **Weaknesses**

- Cooperative governance in rural and urban areas.
- Management is one of the most critical issues: organization, accountability, reserve funds
- Small and micro cooperatives are the most numerous. Higher difficulties for capitalization, organization, market access, survival in the long run.
- Legislation needs to improve.
- Access to ICT still limited.
- Lack of concern regarding cooperatives principles and values.
- Firms in other business models have limited knowledge about the cooperative movement and its potentiality to approach markets abroad.
- No evidence of a directed relationship of cooperatives with SMEs.

In spite of government support, capitalization, management and organization, there are still critical issues that affect the small and micro cooperatives which represent

93% of the total number<sup>48</sup>. For this purpose, a new National Cooperative Policy (2011-2020) was launched to re-orient the business role in order to consolidate cooperatives' management and governance. Upon these bases, Malaysia develops initiatives to improve training, consulting, financing, and market access mainly to small and micro cooperatives.

### Strategies and Challenges

The strategy is oriented to fulfill the New National Cooperative Policy (2011-2020) which aims:

- To create better job opportunities.
- To increase the level of income of the society.
- To solve problems of unemployment and poverty.
- To obtain modernization and better business opportunities.

The main challenge is to position cooperatives in the global market, basically in wholesale and retail, as well as in the real estate sector. The government expects that by 2020, the contribution of cooperatives in the Malaysian economy will double<sup>49</sup>.

**Koperasi Permodalan Felda Malaysia Berhad (KPF)**<sup>50</sup> was the most successful cooperative in Malaysia during 2013. With a total number of 231,902 members, it operates in plantation and financial service sector and also has strategic alliances with APEC economies as Indonesia.

## 2.4. Peru

PERU: INDICATORS	2012
<i>Population (millions)</i>	29.99
<i>GNI per Capita (current US\$)</i>	6,060
<i>GDP (current US\$ -billions)</i>	203.79
<i>GDP growth (annual %)</i>	6.28
<i>Unemployment rate</i>	6.75*
<i>Exports of goods and services (% of GDP)</i>	25.47
<i>Imports of goods and services (% of GDP)</i>	24.47
<i>Merchandise trade (% of GDP)</i>	44.74

*\* World Economic Outlook Database, October 2013 -IMF (estimated)*

*Source: World Bank 2013*

<sup>48</sup> Big cooperatives represent 1,7% of the total number of cooperatives, and medium cooperatives, 5.3% (10,087 cooperatives)

<sup>49</sup> SKM - KPF - A Role Model for Cooperatives - Jenny ImaninaLanong Abdullah.

<sup>50</sup> Direktori Index 100 Koperasi Terbaik Malaysia 2013



COOPERATIVES AT A GLANCE	2012
Total number of cooperatives	620
Total number of members in cooperatives	1,226,176
Number of jobs created by cooperatives	14,626
Cooperatives in provinces and regions, excluding Lima and Callao (%)	57.9
Cooperatives in Lima and Callao regions (%)	42.1
Women participation in agricultural cooperatives (%)*	25
Percent number of persons involved in cooperatives (millions)**	8

Source: PRODUCE based on SUNAT data (May 2013)

(\*) Expert opinion. Junta Nacional del Café (National Coffee Board) (October 2013)

(\*\*) Expert opinion. Confenacoop (National Cooperatives Confederation) (November 2013)

#### 2.4.1. National authority



The **Peruvian Ministry of Production (PRODUCE)** – through its Vice Ministry for Micro and Small Enterprises and Industry – is in charge of supporting and promoting the development of cooperatives in Peru. In this context, PRODUCE is responsible for the policy making, regulation, actions plans and technical support to increase the participation of the cooperatives in the Peruvian social and economic development.

PRODUCE's efforts aim to strengthen cooperatives management skills and to promote the CBM as a viable and sustainable model for creating better conditions towards the social inclusion and market access.

One of the most important objectives of PRODUCE is to increase the participation of cooperatives in the supply chain; for that purpose are being implemented new policies, training programs and virtual instruments that are contributing to the accessibility and competitiveness of cooperatives in rural and urban areas.

The Peruvian Ministry of Foreign Trade (MINCETUR) and Peruvian Ministry of Agriculture (MINAG) support the activity of PRODUCE.

## 2.4.2. Institutions and organizations

The **Confederación Nacional de Cooperativas del Perú (CONFENACOOP)** promotes and protects the cooperatives identity, principles and values. It gathers five organizations:

- 1) Federación nacional de cooperativas de ahorro y crédito del Perú (FENACREP) and CAJA CENTRAL for saving and credit cooperatives,
- 2) Peruvian producers and exporters of coffee (COCLA) for coffee producers,
- 3) Central cooperativas de Servicios (SERVIPERU) for the service sector, and
- 4) Federación Nacional de Cooperativas de Servicios Especiales del Perú (FENACOOSEP) for education sector.



These organizations have an active participation in the promotion of the Peruvian cooperative movement at national and international levels. They contribute not only to defend and protect the principles of cooperatives; but also to articulate projects and activities oriented to a better integration of the cooperatives in the Peruvian social and economic development.

FENACREP is the organization responsible for the integration, and representation of the saving and credit cooperatives (COOPAC) since 1959<sup>51</sup>. This organization has an active participation in the training programs, technical assistant and monitoring of saving and credit cooperatives in Peru.

In addition, there are also second tier organizations, such as the Junta Nacional de Café (JNC) and other centrals of cooperatives and producers associations that also takes part of the Peruvian cooperatives institutional structure. These second tier organizations works with small producers, farmers and communities in the Andean and Amazon areas of Peru.

<sup>51</sup> [www.fenacrep.org](http://www.fenacrep.org)

### 2.4.3. Legislation

According to the legislation, a cooperative is an enterprise that contributes to the Peruvian social and economic development.

General Cooperatives Law	Legislative Decree 085 of 1981. <a href="http://www.congreso.gob.pe/ntley/Imagenes/DecretosLegislativos/00085.pdf">http://www.congreso.gob.pe/ntley/Imagenes/DecretosLegislativos/00085.pdf</a>
Law N° 29683	Cooperative Act Law of 11 May, 2011 <a href="http://www.congreso.gob.pe/ntley/Imagenes/Leyes/29683.pdf">http://www.congreso.gob.pe/ntley/Imagenes/Leyes/29683.pdf</a>
Law N° 29271	<ul style="list-style-type: none"> <li>▪ According to this law, PRODUCE is responsible to promote and support cooperatives. (21 October, 2008).</li> <li>▪ The Ministry Resolution 343-2012-PRODUCE establishes the role of the <b>Business Articulation Direction</b> at the Vice Ministry for Micro and Small Enterprises and Industry for the promotion of cooperatives.</li> </ul> <a href="http://www.congreso.gob.pe/ntley/imagenes/leyes/29271.pdf">http://www.congreso.gob.pe/ntley/imagenes/leyes/29271.pdf</a>
Law N° 29972	<ul style="list-style-type: none"> <li>▪ Law enacted to promote the inclusion of agriculture producers through cooperatives (21 December, 2013).</li> <li>▪ The regulation to the Law 29972 was approved with the Supreme Decree 188-2013-EF.</li> </ul> <a href="http://www2.congreso.gob.pe/sicr/cendocbib/con4_uibd.nsf/D6D711F6BF0A657105257B590077171C/\$FILE/Ley_29972.pdf">http://www2.congreso.gob.pe/sicr/cendocbib/con4_uibd.nsf/D6D711F6BF0A657105257B590077171C/\$FILE/Ley_29972.pdf</a>

### 2.4.4. Outlook and perspectives

Peruvian cooperatives have Andean and Hispanic roots and through the years they have demonstrated that are a good example of resilience, innovation and hard work.

The legacy of pre-Inca<sup>52</sup> institutions is evident, together with the influence of association models brought to Peru in the mid XVI century<sup>53</sup>. The cooperative movement appeared in the XIX century encouraged by the labor and the mutualism movements and consolidated its position in the Peruvian economy toward 1954 with the support of the Catholic Church.

During the following three decades, the cooperative struggled with political and economic reforms along with institutional changes<sup>54</sup>. In the same period, they also gained position in agriculture, textile, housing, consumer, services and other sectors

<sup>52</sup> Torres y Torres Lara (1985). *Las cooperativas en el Perú: su situación actual y legislación vigente*.

<sup>53</sup> Spanish conquer of Inca Empire.

<sup>54</sup> By 1970s political reforms in the agriculture sectors led cooperatives to the stagnation.

but unstable economic situations could not allowed them to reach successful performance nor improve the living conditions of the members and workers<sup>55</sup>.

During the 1990s, the most difficult challenge of the Peruvian economy was to overcome recession, and for that purpose Peru adopted radically economic policies to both stabilize the economy and start-up its globalization process. In this context, business opportunities were concentrated in large firms and also opened opportunities for SMEs in sector like textiles and garments, and food industry. Cooperatives at that time faced one of their deepest crises of all times<sup>56</sup>.

Despite any difficult situation, the great capacity for resilience together with the spirit of entrepreneurship helped the Peruvian cooperative movement to survive. At present, the intensive business activity of the Peruvian marketplace has opened new opportunities for cooperatives. They are gaining momentum, and increasing their participation in the supply chain and exports.

As stated by the Peruvian cooperative law, there are 19 types of cooperatives; nonetheless the most important types are three: saving and credit cooperatives, agriculture cooperatives and special services cooperatives.

According to the **Peruvian virtual cooperatives directory**<sup>57</sup>, there are 620 cooperatives registered in Peru (See Table 5). The COOPACs are the most numerous, accounting for 35.2% of total cooperative activity, followed by the agricultural cooperatives (20%); and special services (14%).

Cooperatives are presented in the 25 departments of Peru, basically in the Southern regions and its capital, Lima; and they are contributing significantly for accessing to financial services and credit to their members, other than SMEs and MEs with limited possibilities to access to the banking system. Saving and credit cooperatives are also supporting to create **value chains** in vulnerable and extreme poverty areas, and to finance production for export.

From June 2012 to June 2013, the number of members of COOPACs had grown 12.61%; and production loans, principally to SMEs, account for 57.24% of their portfolio.<sup>58</sup>

<sup>55</sup> Mogrovejo, Mora & Vanhuynegem (2012). *Visión panorámica del sector cooperativo peruano*. There were 1,383 cooperatives by the end 1960s and 3,459 by the end 1980s. It is recommended to review the role of the Instituto Nacional de Cooperativas (INCOOP).

<sup>56</sup> Ibid

<sup>57</sup> There were almost 3,500 cooperatives registered in SUNAT (See Acronyms) by 2012; some of them are not operating anymore, others are not taking part of the cooperative movement. This research based the analysis in the Peruvian Virtual Directory of Cooperatives.

<sup>58</sup> Fenacrep. June 2013. Also see: Manrique, Rios y Vasquez (2013). *El desarrollo sostenible de las cooperativas de ahorro y crédito en el Perú*.

On the other hand, there are 124 agricultural cooperatives prospering in Andean and Amazon rural areas. These cooperatives are creating value chain and clusters in products as coffee, cacao, quinoa and other products related with the supply chain in the food sector.

Coffee cooperatives are considered the most representatives. They are presented in 12 regions, 68 provinces and 338 districts; and it is also estimated that over 160,000 families are involved in the coffee production chain. In 2011, the coffee and cocoa exports represented for 17% and 37% respectively. The small producers (or cooperatives in agriculture sector) contribute to improve living conditions and social inclusion among particularly vulnerable people due in areas of extreme poverty.

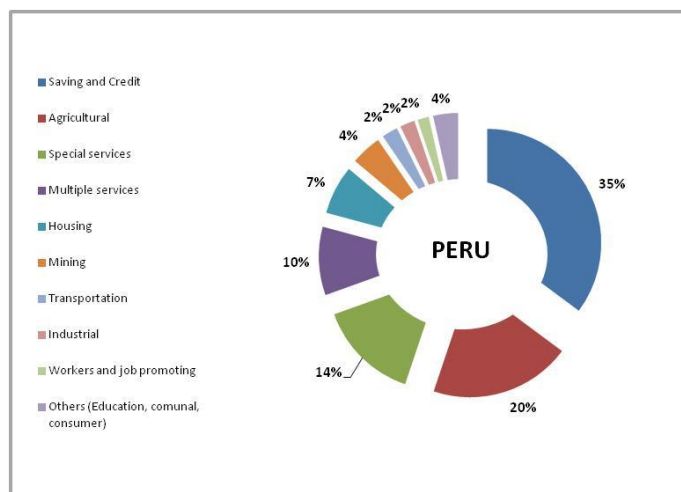
Particularly, in traditional coca-based rural economies, cooperatives, with support of the Peruvian government and international cooperation, have implemented a sustained strategy to eradicate the illicit crops. There are approximately 27 potential productive rural value chains or clusters that are currently being organized based on the CBM model in Andean and Amazon areas like San Martín, Huánuco, Ucayali and Ayacucho. The olive production for export is also successful implemented with the CBM the southern Peruvian region of Tacna.

**Table 6: Cooperatives in Peru by number**

TYPE	N° COOPs
<b>PERU</b>	<b>620</b>
<i>Saving and Credit</i>	218
<i>Agricultural</i>	124
<i>Special services</i>	89
<i>Multiple services</i>	60
<i>Housing</i>	43
<i>Mining</i>	27
<i>Transportation</i>	14
<i>Industrial</i>	13
<i>Workers and job promoting</i>	10
<i>Others (Education, comunal, consur</i>	22

Source: Ministerio de Producción Perú -May 2013

**Graphic 4: Cooperatives in Peru by sector (%) 2012**



Cooperatives like housing, mining and consumers cooperatives are also present in rural and urban areas but there is very limited information about their activities; meanwhile those cooperatives operating in textiles sector and handicraft have a lesser participation but they are creating job opportunities for women in the Northern and Southern areas of Peru like Piura and Cuzco.

The most important cooperatives in Peru are ABACO, Cooperativa Naranjillo (See case study in chapter III), Cooperativa Agraria Cafetalera La Florida y COOPAC Norandino.

#### **Box 4: Strengths and weaknesses of CBM in Peru**

##### **Strengths**

- Peruvian cooperative structure is positioned in key economic and social development sectors: saving and credit, and agriculture.
- Government committed to CBM's development. Involves NGO's and International cooperation.
- Team at PRODUCE made up of experts with vast cooperative management skills and experience.
- A strategic relationship between PRODUCE, Peruvian Ministry of Foreign Trade (MINCETUR) and the Ministry of Agriculture of Peru (MINAG) in order to increase the participation of agriculture cooperatives in the economic growth and foreign trade (COOPERA PERU)
- A crucial role in developing value chains and networks for export industries, including agro industrial, textiles, livestock, and handicrafts.
- Cooperatives have a lot of potential to develop niche product: Fair-trade and organic
- CBM is a source of potential rural development.
- Effective women's involvement in developing of credit unions and agricultural cooperatives.
- Cooperatives can improve the quality of living of people living in vulnerable areas.
- Women's cooperative efforts are improving good food and nutrition and practices and Andean and Amazon regions.
- A viable channel to fight the underground (informal) economy.
- Cooperatives can contribute to improving regional infrastructure.
- A way to create profits for formal and informal micro and small companies.

##### **Weaknesses**

- Limited participation of Regional and local entities in the development of CBM, mainly in rural areas.
- High share of cooperatives (52.4%) that do not belong to a federation or confederation.
- The cooperative movement requires more integration.
- Weak management skills and governance at cooperatives.
- The Cooperatives Law has been amended but gaps remain; no single conformed text of the Cooperatives Law is available or enforced. The Law needs updating to include special regulations for different types of cooperatives.
- A regulatory and oversight system in flux; tax breaks and saving and credit cooperatives' oversight needing review.
- Insufficient funds for innovation and development.
- Limited generational succession practices.
- SMEs and other business models evidence poor understanding of the associative and juridical nature of cooperatives.
- Managers, shareholders and workers are not completely aware of the principles and values guiding the cooperative movement.

## Strategies

An initiative for transforming the Peruvian cooperative system was the first **virtual National Cooperatives Directory** published in November, 2012 by PRODUCE which main objectives were to provide information about the cooperatives localization, present conditions, access to technology, and productive activity.

PRODUCE efforts also aim at building a stronger integration of micro and small enterprises and cooperatives to improve production relations, build a stronger business culture, reduce informality, identify business opportunities, and enhance competitiveness.

By early 2014, Peru will launch its **First National Plan for Cooperatives Development** oriented towards:

- Prepare strategic plans to strengthen the participation of cooperatives in the economic growth and social inclusion.
- Enhance the cross-cutting integration of savings and loans cooperatives in the microfinance sector.
- Strengthen the cooperatives' role in creating exports value chains (CBM as a strategic component of exporting SMEs<sup>59</sup>).
- Strengthen networking and clustering in the cooperative sector.
- Encourage the relationship between cooperatives and SMEs through intensive training programs.
- Encourage better cooperative governance practices.
- Increase cooperative education, and disseminate cooperative principles and values.
- Foster good practices for sustainability.

## Challenges

- 1) Strengthen and widespread the identity of cooperatives (principles and values, school of cooperatives)
- 2) Strengthen the integration of cooperatives: a) among cooperatives and b) between cooperatives and organizations and federations.
- 3) CBM contributing to the economic and social development<sup>60</sup>.
- 4) State as the strategic partner of cooperatives and contributing to the development of cooperatives.
- 5) A modern and innovative legal framework taking into considerations nature and characteristics of cooperatives.
- 6) Strengthen cooperative institutional framework.

<sup>59</sup> Report 2012 – Promperu: Total Exporting SMEs: 6,683.

<sup>60</sup> CBM has a legal recognition in Peru but still very limit promotion as a business model.

## 2.5. Viet Nam

VIET NAM : INDICATORS	2012
Population (millions)	88.78
GNI per Capita (current US\$)	1,550
GDP (current US\$ -billions)	155.82
GDP growth (annual %)	5.20
Unemployment rate	4.47*
Exports of goods and services (% of GDP)	80.03
Imports of goods and services (% of GDP)	76.53
Merchandise trade (% of GDP)	161.20

\* World Economic Outlook Database, October 2013 -IMF (estimated)

Source: World Bank 2013

COOPERATIVES AT A GLANCE	2012
Primary cooperatives	13,338
Total number of members in primary cooperatives	6,548,894
Total number of Cooperative at the Viet Nam Cooperative Alliance *	20,436
Total number of members and workers at the Viet Nam Cooperative Alliance (millions)*	12.5
Groups of cooperatives **	370,000
Cooperatives contribution to Viet Nam GDP (%)***	8.6

Source: Cooperative Department under Ministry of Planning and Investment, Viet Nam. Survey SME 0312

(\*) Information from members and workers' register at Viet Nam Cooperative Alliance (VCA)

(\*\*) Viet Nam News – July 2012

(\*\*\*) International Cooperative Alliances

### 2.5.1. National authority



The Cooperatives Department at the Ministry of Planning and Investment of Viet Nam is responsible for the planning of cooperatives' policies, its integration and promotion, in Viet Nam. It works jointly with other entities, including the Ministry of Industry and



Trade ([www.moit.gov.vn](http://www.moit.gov.vn)), to implement programs and policies for developing small scale industries and collective businesses, including cooperatives, in industry and trade.

### 2.5.2. Institutions and organizations

**Viet Nam Cooperative Alliance (VCA)** ([www.vca.org](http://www.vca.org)) is a non-governmental social and economic organization and the apex organization of the Viet Nam Cooperative Alliance.

VCA offers professional support services to cooperatives for implementing viable and effective economic activities that improve socio-economic development, mitigate poverty reduction and create jobs on a sustainable basis. VCA activities are principally:

- To promote training and educational activities that enhances the qualifications, business management and production skills, and capacities of the people, especially in the rural, highlands and ethnic mountain areas.
- To promote gender equality, social cohesion, democracy and social harmony, improving the role and position of women, and supporting disadvantaged groups to integrate them to their communities.
- To strengthen international cooperation relations for the mutual benefit of the cooperative movement.
- To participate in designing legal policies and norms governing cooperatives.
- To foster awareness about the cooperative model and its role in social and economic development.

### 2.5.3. Legislation

A cooperative is a collective-property, an economic and legal organization, established voluntarily by at least 7 members who will cooperate and support other members in production, business, and job creation and thus fulfill their needs, based on the principles of self-control, self-responsibility, equality and democracy in management.

Cooperatives Law    The Cooperatives Law 23/2012/QH13 passed by the National Assembly on 20 November, 2012.  
                               Enacted by Order 25/2012/L-CTN of 3 December, 2012  
                               Effective since 1 July, 2013.  
                               <http://www.economica.vn/FormDoc/tabid/192/topic/H18T16251026361526/language/en-US/Default.aspx>  
                               The law includes tax regime provisions.

#### 2.5.4. Outlook and perspectives

Viet Nam's cooperative movement appeared at the beginning of the XX century. The first cooperative was born in Thái Nguyên for handicrafts manufacturing and, subsequently, spread to other productive sectors, particularly agriculture. The CBM is the foundation of Viet Nam's rural economy and its growth has contributed to economic development and poverty alleviation.

Almost 50% of the primary cooperatives are operating in the agriculture sector, and they have a direct relationship with people struggling with extreme poverty. Vietnamese rural areas are potential for the development of sustainable agriculture and food industry but management of land, capitalization, access to market, are difficult with no access to credit.

Viet Nam has created conditions to enable cooperatives increasing their possibilities to capitalize thought stimulating saving and credit sector. Credit cooperative (Credit Unions) represent 8% of the primary cooperatives, and they play an important role in the microfinance of agriculture and consumer cooperatives.

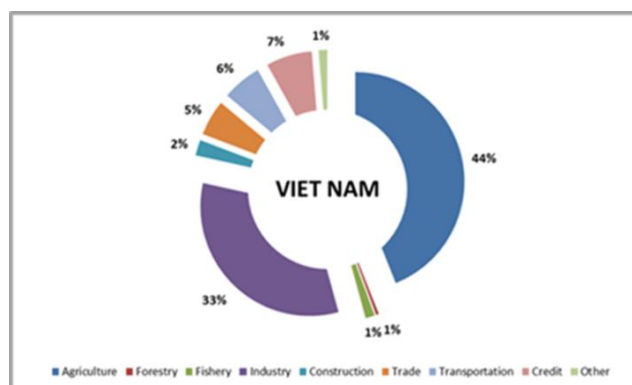
People's Credit Funds (PCF) was created in 1993 and its members are credit cooperatives efficiently organized to provide savings and credit services to small farmers and community. Since its creation, PCF has served almost 1.2 million clients including people from the urban areas. By July 2013, the Cooperative Bank of Viet Nam was created at Hanoi, a new concept of cooperative banking and modern management to consolidate and strengthen financial services in rural areas<sup>61</sup>.

**Graphic 5: Cooperatives in Viet Nam by sector (%)**  
(Primary, second tier and federations)

**Table7: Primary cooperatives in Viet Nam**

TYPE	N° COOPS
<b>VIET NAM</b>	<b>14,500</b>
<i>Agriculture</i>	6,652
<i>Financial / Credit</i>	1,090
<i>Fishery</i>	230
<i>Others (industry, handicraft, constru</i>	5,363

Source: Cooperative Department under the Ministry of Planning and Investment -Nov 2013



Source: VCA – Survey on Government APEC SME 0312

On the other hand, **Viet Nam Cooperative Alliance (VCA)** presents a total number of cooperatives including primary cooperatives, and second and third tiers. There are 20,436 cooperatives, of which, 3,074 belong to the small industry and handicrafts; and 1,473 to consumer sector. This sector is very dynamic and it has contributes to

<sup>61</sup> Source: Association of Asia Confederation Credit Union (AACCU)

increase the job opportunities in wholesale and retail due to a well-organized work and governance, good relation with members and clients, good quality products and fair prices. The remaining cooperatives are in the construction, transportation, education, electricity and water supply areas. Additionally, there are 54 federations.

### **Box 5: Strengths and weaknesses of CBM in Viet Nam**

#### **Strengths**

- Important role of Vietnamese government and Provincial People's Committee in the innovation and promotion of CBM.
- Cooperatives play a crucial role in agriculture. Important production of rice, coffee, tea, flower, fruits and in fisheries.
- Consumer cooperatives are developing retail, open market and global marketing strategies.
- Training facilities to improve working and technical skills are available, as training facilities to improve management capacities.
- Strong traditional values (family and community values).
- Cooperatives are highly organized in rural labor. Efficient work and important presence of women in cooperative activities (rural and urban).
- Cooperatives in rural areas also offer opportunities to create business opportunities in handicrafts, textiles and fair-trade..

#### **Weaknesses**

- Requires stronger local and central government structures to support cooperatives and to involve them and the NGOs in developing this model.
- In spite of government initiatives, credit access is still limited.
- Limited access to markets as well as to technologies and ICTs
- Closing of cooperatives is a latent issue.
- CBM is not recognized as a business model. The principles and values of cooperative model and voting rights are understood but cooperatives' members see it as a social model and not as a business model to access better job opportunities and markets.
- Small production scale. Agriculture cooperatives deal with access to land.
- Limited management, auditing and technical skills.
- Cooperatives are not understood as a "business". SMEs do not have a clear idea of cooperatives as potential partners.

### **Strategies and challenges**

CBM appears as an efficient model to strengthen growth but principally to promote agricultural development, and in particularly to improve the living condition of people in both rural and urban areas.

Viet Nam is going through a modernization process and struggles to defeat poverty; its GDP growth exceeds 5% while unemployment is 4.47%. In this context, cooperative model is innovated with specifics objectives oriented to:

- Establishing cooperatives as a vehicle to propel growth.

- Foster job generation and social inclusion.
- Reduce the gap between rural and urban areas.
- Achieve gender equity.
- Improve wage opportunities for the social and economic growth of low resource people.

To strengthen CBM's role in Viet Nam's social and economic development, the government's strategy has focused on improving regulatory standards.

On 1 July, 2013, a new law was enacted to add momentum to the entrepreneurial role of cooperatives. The new law is aligned with the need to upgrade the model and will help cooperatives adopt a more active role in markets and create greater opportunities to operate as businesses in a socialist-oriented market economy.

New law defines cooperatives as collective businesses created on a voluntary basis by a minimum of 7 members. Cooperatives will enjoy advantages in market transactions and to provide their services, thus opening greater opportunities for job creation and access to credit to cooperatives members.

Additionally, it provides for the State's support through human capital training, assistance in reaching international markets, support to access better technology and capital for cooperatives development. It also grants certain income and other tax advantages, provided in the tax law. Greater infrastructure and advantageous loans are planned to enhance agricultural development.

The policy will help to harmonize the three economic pillars that include government, industry and non-profit organizations.

Viet Nam cooperative development is acknowledged as a success story in economic transformation that is expected to further improve as a result of the new cooperative law. However, people need to understand cooperatives as business models rather than only as social organizations and a model of resilience.

**Saigon Coop** is the leading grocery retailer in Viet Nam and concentrates the activities of supermarkets (Coop Mart), food, drink, convenience stores, apparel specialist retailers, construction and real estate. During 2012, Saigon Coop net sales reached US\$ 1 billion and a portfolio of almost 800 labels. Saigon Coop manages efficiently merger strategies, market concepts and branding strategies for positioning ([www.saigoncoop.com.vn](http://www.saigoncoop.com.vn))<sup>62</sup>.

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<sup>62</sup> See Annex - Source: Euromonitor International

## 2.6. Best government practices

It was possible to identify the best practices that the five economies have in common through the national authorities replies to the survey.

The main results are as follows:

- 1) Authorities answered that they have major facilities to support the CBM in the following aspects:

	Canada	Chile	Malaysia	Peru	Viet Nam
Legal	★	★	★	★	★
Fiscal	★	★	★		★
Credit	★		★		
Market	★			★	

Major Facilities: (★)

- 2) Authorities answered that the factors that contribute the most to promote competitiveness of CBM in their economies were the following:

	Canada	Chile	Malaysia	Peru	Viet Nam
Regulation (Policy)	★	★	★	★	★
Institutions		★			
R & D	★				
Business Development Policies	★				
Global Market Access	★	★		★	
Innovation Policies	★				
Training facilities	★	★	★	★	★

Factors promoting competitiveness (★)

The results in point 1) and 2) are emphasizing that economies are improving legislation and regulation to increase the participation of cooperatives in their economic and social development. Governments are also providing training facilities.

Furthermore, it was possible to verify that these good common practices are also aligned with the United Nations and ILO recommendations 193; therefore States are making efforts to implement their legislations following the principles and values of cooperatives, as well as recognizing the role of cooperatives in their economies.

Economies are also working in their national policies and they are expecting for results even before 2020. Economies like Chile have increased support to cooperative in 300%; meanwhile Viet Nam has implemented a new cooperative law since 1 July, 2013.

Malaysian National Cooperative Policy (2011-2020) is oriented to double participation of cooperatives in economic growth; and Peru is launching its first national cooperative policy, while Canada is also promoting the conversion of small firms into cooperatives.

These results also reflect that Chile, Malaysia, Peru and Viet Nam have less facility to support cooperatives in fiscal, credit and market issues. To this concern, although the great effort of the economies to make progress in legislation, perhaps it is also necessary an additional effort to make progress in fiscal issues.

In this context, a recommendation would be to revise fiscal policies. Better tax policies or incentives would offer more opportunities to cooperatives to increase reserve fund or reinvest.

These economies are also promoting training facilities. To this respect they are fulfilling the objectives of the APEC SMEWG 2013-2016 committed with building management capacities, and foster entrepreneurship and business start-up.

3) Authorities answered that the factors that limit the competitiveness of CBM in their economies were as follow:

	Canada	Chile	Malaysia	Peru	Viet Nam
Regulation					
Institutions					
R & D		✗	✗	✗	✗
Business Development Policies			✗		
Global Market Access Policies			✗		✗
Innovation Policies				✗	
Training facilities					
No particular limitation	✗				

Factors that limit competitiveness (✗)

According to the results in point 3), Research and Development (R&D) is a critical issue mainly in the developing economies. To face this situation, also effective tax incentives may contribute to increase the possibilities of investing in R&D activities that are crucial for cooperatives to develop new products and to improve and expand their operations.

4) Authorities answered that the relationship between cooperatives and SMEs in their economies is the following:

	Canada	Chile	Malaysia	Peru	Viet Nam
Direct					
Indirect	✗			✗	✗
No available information		✗			
No response			✗		

According to the results presented in point 4) and the literature review, there is no evidence of a direct relation between cooperatives and SMEs, and there is practically no statistical information supporting the relationship between both business realities.

There is an indirect relationship between cooperatives and SMEs in Canada, Peru and Viet Nam, mainly in the utilities sectors, as well as through the banking and savings and credits cooperatives. Information obtained from reports has confirmed that there is a relationship between micro enterprises (MEs) and saving and credit cooperatives for accessing to credit.

Chile and Malaysia responses lead to the conclusion that the relationship is indirect. **To this respect, it is also necessary to increase initiative to foster the relationship between cooperatives and SMEs.**

The workshop and seminar “Enhancing competitiveness of SMEs through innovative CBM” opened the dialogue among the experts that emphasized that it is necessary to work to link cooperative with SMEs.

All the economies are performing the following government good practices:

- **To innovate the CBM to create social inclusion and increase market access.**
- To promote the CBM through specific initiatives and strategies to develop business capacities, to support socio-economic growth and development.
- National authorities encourage “partnerships and associations” to create new business opportunities, to promote start-ups and to open access to international markets.
- National authorities have planned to help cooperatives to use the Free Trade agreement to increase their presence in international markets.
- To innovate for improving living conditions, gender equity, protecting environment and facing the global challenges.

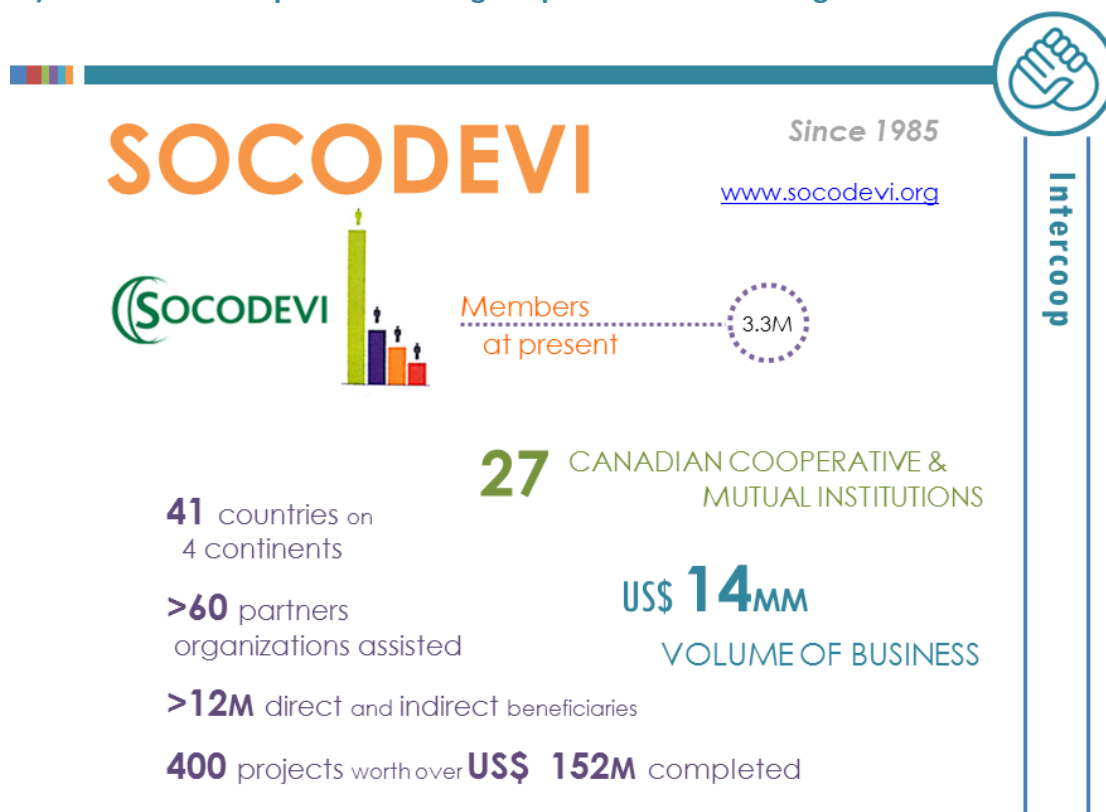
### III. Successful experiences and best business practices<sup>63</sup>

During the process of research, cooperatives provided literature review, company profiles and brochures containing information about their own stories. The analysis of this information, followed by interviews, helped to identify a group of successful experiences and cooperatives profiles that are presented in this chapter.

It was very interesting to analyze cooperatives stories of resilience and innovation and to evidence that principles and values builds high levels of trust that contribute to strengthen their productive activities and alliances. Due to successful experiences, it was possible to confirm that cooperatives in APEC economies are making efficient business with SMEs, and also putting in practices the principles of management and sustainability in an efficient way. Different experts on cooperative were also interview to prepare case studies.

#### 3.1. Case study: Agriculture sector

##### 1) SOCODEVI: Cooperation among cooperatives in APEC Region <sup>64</sup>



<sup>63</sup> It is possible to obtain more information about cooperatives by clicking on logos or web address.

<sup>64</sup> SOCODEVI case was written upon APEC SME 03 12 interview done to Réjean Lantagne, Prodicom Director, SOCODEVI.



SOCODEVI, (*Société de coopération pour le développement international*), is a nonprofit international development corporation established in 1985. It is constituted by 27 Canadian cooperatives and mutual institution in a networking of 3,3million members and 31,000 employees. SOCODEVI offers technical and managerial support to the cooperative movements in the developing economies.

The objective of SOCODEVI is to contribute to improve living conditions of small producer and farmers located in rural and/or extreme poverty area. It promotes sustainable development and help cooperatives to strengthen their relationships and to put in practice the six principle **“cooperation among cooperatives”**.

SOCODEVI experts design projects to build managerial and technical skills to improve productive conditions of cooperatives, and to start up or expand new businesses. Its projects are 80% in the agricultural sectors, and they are oriented to diversify cooperatives' income generation activities i.e. creation of value chain for products destined to the supply chain and exports.

SOCODEVI contributes to strengthen the managerial competences of cooperatives' directors and managers, and also help to build “trust” among members, shareholders and workers through the dissemination of the principles and values of cooperatives.

At the end of 2013, SOCODEVI had concluded an average of 400 projects in 41 developing economies, for a total amount of US\$ 188 million. The projects have benefited almost 12 million people. In 1985, SOCODEVI, started with US\$ 500,000 in projects; and up to date it manages an average of US\$15 million in projects per year.

In Peru, SOCODEVI has contributed to the development of the cotton production skills in the central coast, as well as in the coffee and cocoa chain value creation within the Andean and Amazon areas. Since April 2013, experts from SOCODEVI are conducting a project to create a chain value to products like quinoa, panela<sup>65</sup>, vegetables and fruits. This project will benefit 8,000 producers directly; and indirectly 24,000 families, who live in Andean areas like Ancash, Cajamarca and La Libertad. The financing comes from the mining enterprises (25%) and the Canadian government (75%).

In Southern Viet Nam, up until 2008, has been conducted a project to improve the quality of living within 16 communities of four provinces in Soc Trang. Almost 65% of women were the major beneficiaries of the project. SOCODEVI has contributed with projects for the development of dairy cooperatives, implementing a productive model that is being developed in all the Vietnamese territory.

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<sup>65</sup> Unrefined whole cane sugar

Additionally, it has helped to implement new Vietnamese law on cooperatives, in force since 1 July, 2013. From 2007 to 2012 it has supported Tien Giang cooperative movement for the improvement of the local producers and central agricultural cooperatives' managerial skills.

SOCODEVI works jointly with the central government, local governments, NGO's and CACs<sup>66</sup>. The coordinated job with the institutions around the project constitutes a key factor for success. SOCODEVI's intervention starts with an assessment of the beneficiaries (small producers or communities) and the conditions to develop the project, including infrastructure. Requirements to create a second tier cooperative and the willingness to work jointly are also assessed.

According to the assessments, the interventions happen throughout the participation of Canadian experts, who offer their time and skills in a voluntary way to achieve the project goals. One of SOCODEVI's main features is to strengthen gender inclusion. Most projects seek to create managerial-technical skills for women and young people in order to improve their life conditions and also offer major possibility to create enterprises.

SOCODEVI's know-how helps cooperatives to reach competitiveness, to innovate and to increase their possibilities for alliances with SMEs and for access to markets.

## Lesson learned:

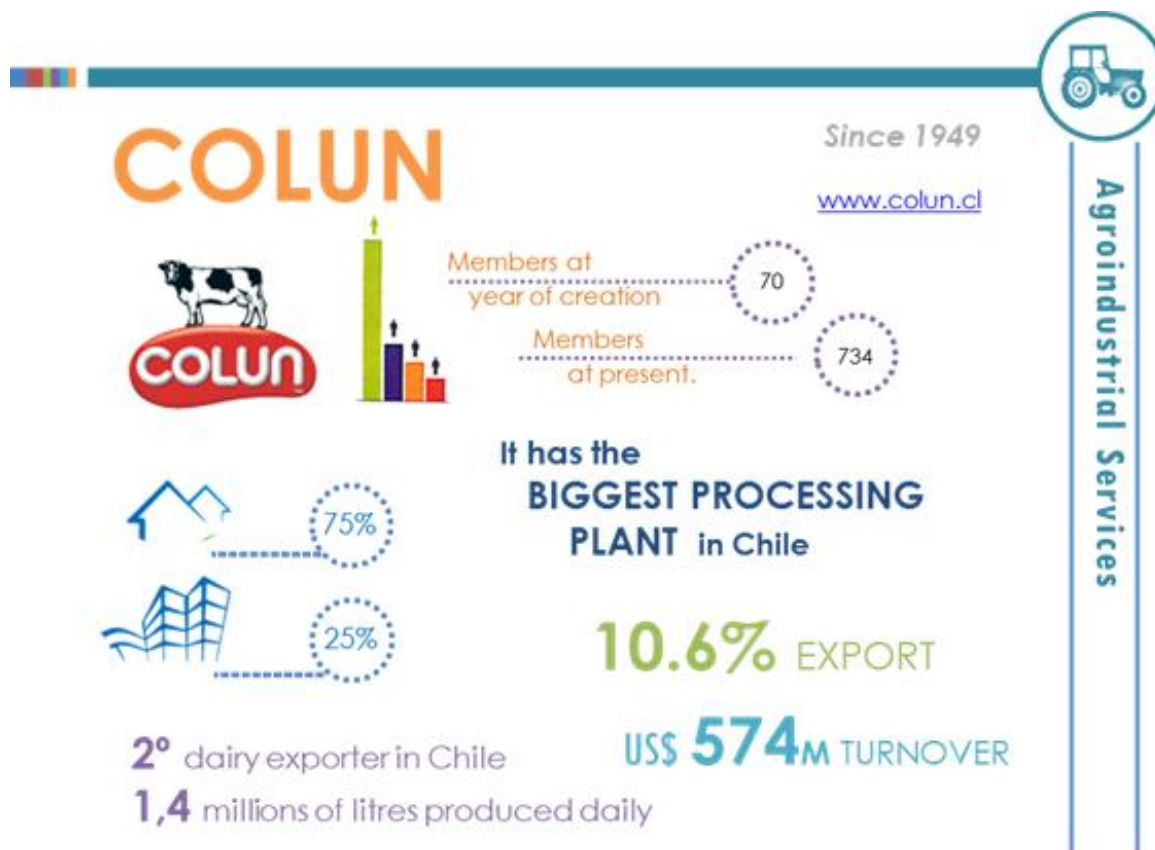
- SOCODEVI's programs seek to create managerial and leadership skills, easier access to credit and improve sustainable practices. **Cooperation among cooperatives**, also foster relationship between developed and developing in the APEC region through exchange of experiences.

Through this **good business practice**, cooperatives will be able to create networking and clustering as well as strengthen linkages with firms in other business model.

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<sup>66</sup> See abbreviations

## 2) COLUN: Management and governance to compete in local market and APEC Region<sup>67</sup>



**Cooperativa Agrícola y Lechera de La Unión Ltda (COLUN)** is an agricultural dairy cooperative located in the southern Chilean region of Los Ríos. Established in 1949, Colun is a large cooperative involved with the collection, processing and distribution of milk and milk products (cheese, yogurt, UHT milk, butter, as main products).

COLUN is the biggest **primary cooperative** with an average growth of 7 % per year, and the second dairy exporter of Chile. With more than 1,800 workers, the cooperative's highest priorities have always been long term vision, governance and management. Information obtained through the survey had evidenced that the pillar of Colun's business performance are: ethic in governance, efficient in management, organized in accountability (Data 2012: 15.02% EBIT, US\$ 81 million of reserve fund). Colun is also focused in food security, traceability and sustainability as well as high quality.

In its 63 years, the cooperative has had only four general managers and its corporate governance rotation has been very low. Some of the key components of managerial style are communication, task division and coordination.

<sup>67</sup> This case was proposed by DECOOP (Chile) and presented by Mr. Carlos Schultze during the Workshop and Seminar. Colun answered to the survey for cooperatives. Literature review was obtained from Euromonitor International 2013.

Milk producers can access to the cooperative becoming members and they can also buy shares based on the milk delivered to the cooperative. Regardless the number of shares or the amount of milk delivered, members will have participations into the cooperative's making decision process.

On the other hand, task division and investment in technology have been determined to the quality products. Colun has a plant with a processing capability of 1.8 million liters a day, as well as an exhaustive production controls to ensure high quality and traceability. The cooperative has implemented Good Manufacturing Practices (GMP), HACCP, ISO 14001 and other certifications like Halal, Kosher and Gluten Free.

Colun has also growth through acquisitions and invest in new technologies, training programs and standardized processes with the contribution of members and the reserve fund. A brand strategy had also been implemented in order to obtain recognition among Chilean consumer. The cooperative has also implemented environmental management systems to guarantee innovation and sustainability.

Almost 20% of members are women meanwhile 90% of workers are young people. There was no obtained specific information with the relationship with SMEs but 25% of members are firms. Colun is competing in the Chilean market with firms like Nestle. Its business vision is very widespread and very oriented to the community.

**Colun is based in mutual assistant, integrity, vertical integration and commitment.** In 2012, the cooperative held 5% value share in Chilean market of packaged food.

Since 1986, the cooperative is placed in the international markets with an export portfolio that includes butter, cheese, power milk and milk jams. Seven APEC markets are important clients of Colun: Japan, Korea, Mexico, Peru, The Russian Federation, Singapore and United States.

### Lesson learned:

- COLUN have reached a competitive position due to its **effective management and governance**. These two business practices together with a long term vision, has contributed to the success of the cooperative during more than 63 years. The objective of Colun is to continue growing and improving its processes and implementing new technologies.

### 3) K-MELON: The Cooperative brand: Case of small producers in Korea<sup>68</sup>



The conference **“The successful aspects of CBM: Korean Experience”** was presented by Jae H. Lee, Ph.D during the Workshop and Seminar “Enhancing the competitiveness of SMEs through the innovative cooperative business model”<sup>69</sup>

The Korean experiences suggested that CBM emerged not only as an alternative for socio-economic development, but also as a model that can offer better conditions to build trust among partners and improve the opportunities to compete for small enterprises mainly in the agricultural sector. CBM is also considered as a conciliatory model, which creates conditions to join forces with other business models<sup>70</sup>.

The Korean experiences also confirmed that for microbusiness, small producers or farmers adopting CBM, a common brand strategy would increase power of negotiation and reduce intermediation to enter in the supply chain and access to global markets.

The case of The Melon National Assembly, or K-Melon, is considered a successful case regarding the positioning for branded products. K-Melon is the representative brand for melons produced through the cooperation of farmers and National Agriculture Co-operative Federation (NACF) in Korea<sup>71</sup>.

<sup>68</sup> Jae H. Lee, Ph.D. - Executive Director of the Korea Institute for Strategical Development. An Interview to Mr. Lee was used to build up this case.

<sup>69</sup> See: <http://www.produce.gob.pe/proyectos/business-model/docs/Jaehoon-Lee-Korea.pdf>

<sup>70</sup> Basic Act for Co-operatives (26 January 2012). See Annex II early results as a consequence of the law.

<sup>71</sup> NACF (NONGHYUP) support is crucial for the promotion of the brand.

K-Melon is a business system in which 1,266 melon producers are joined in 34 cooperatives to produce the best melon of Korea. Its strategy is a simple model of task divisions; meanwhile the production responsibility of the melon relies on the farmers; the branding and marketing activities are destined to the Melon National Assembly.



Therefore, melon growers concentrate on a high quality melon production. Regional agricultural cooperatives and regional assemblies focus on support functions. The Melon National Assembly is committed to marketing functions, targeting mainly **large distribution, trading firms and wholesale businesses, as well as exports.**

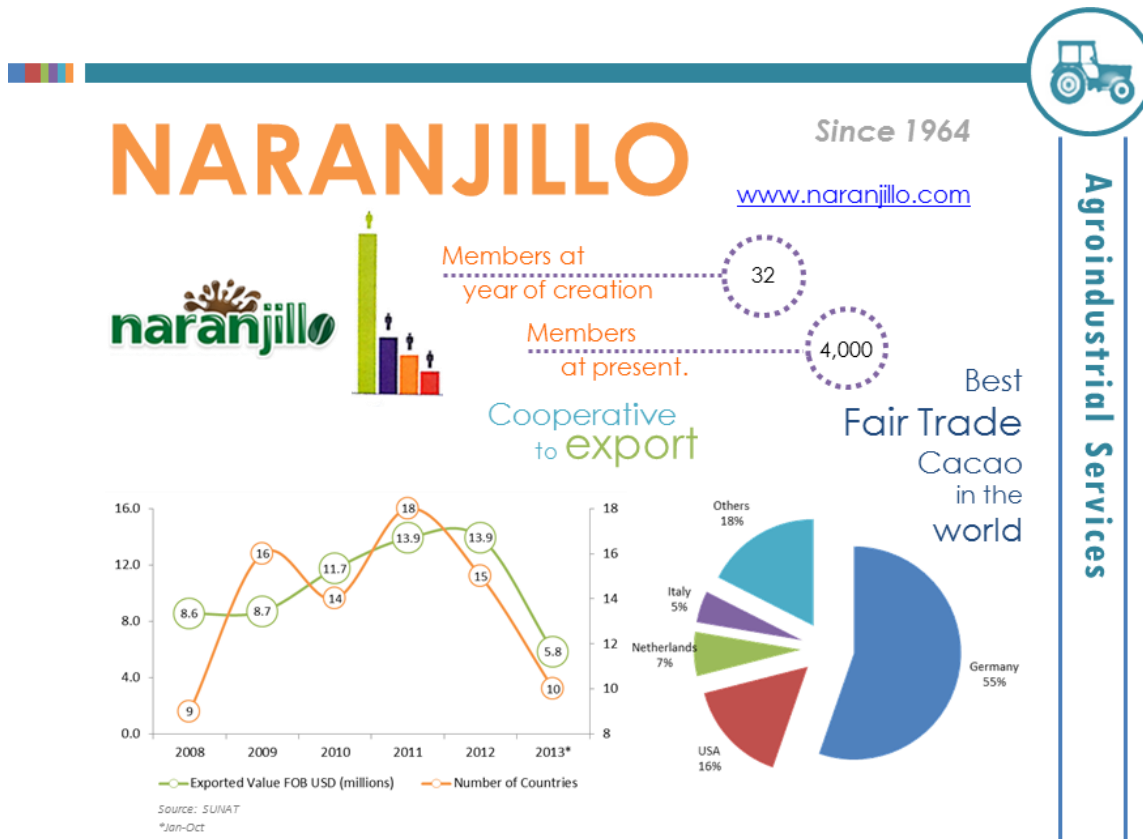
The assembly and the NACF move about almost 67% of the consumption of melon in Korea. There are three types of melon with different textures and tastes. The packing is designed for different types of clients (wholesale retail, luxury designs for gifts) and it also follows the standard quality and characteristics of the product (weight and price).

The production system is standardized from the farmers' crops stage, e.g., sprouting, transplanting, to NACF management of branding, packaging and sales. K-Melon has a direct relationship with consumers who can also follow the processes through the website. **The National Assembly is commitment with food security, traceability and sustainability.** NACF together with Korean small producers struggles to fulfill their social responsibilities based on trust for both, farmers and consumers.

## Lesson learned:

- K-MELON. The small Korean producers joint together under a branding strategy that have helped them to position in the Korean market. The branding strategy has contributed to reduce intermediation and to obtain better prices for its products, but basically to consolidate customers' loyalty and satisfaction. **The adoption of branding strategies to widespread cooperative's activities is considered one of the best business practices in global markets.**

#### 4) NARANJILLO: Market intelligence and innovation: Case of a small-medium size cooperative<sup>72</sup>



The **Industrial Agricultural Limited Cooperative Naranjillo** (COOPAIN) is a services cooperative constituted by small producers that has as main activity the stockpile, processing and commercialization of cocoa and coffee. Naranjillo has the following lines of production: cocoa beans, cocoa butter, cocoa powder, cocoa liquor, chocolate, coffee beans, roasted coffee and honey.

The cooperative is located in Tingo Maria, department of Huanuco, in the mid-eastern Peru. It was founded on December of 1964, by 32 producers that decided to join together to struggle with the low prices from the cocoa and coffee traders. Actually, NARANJILLO has over 4,000 producers and 156 workers. It extended its activities to the regions of San Martin and Ucayali, located in the northern Amazon and center-east areas of Peru.

The headquarters of NARANJILLO are located in Tingo Maria and it has a sales office in Lima. In 1985, the cooperative invested members' funds and received the support from the United Nation Development Program and two Peruvian banking institutions<sup>73</sup>

<sup>72</sup> Case of Naranjillo was proposed by Peruvian experts on cooperative. Statistics were obtained in Infotrade Peru.

<sup>73</sup> Banco Industrial and Banco Agrario



to build the first processing plant of cacao. The acquisition of new technology opened opportunities for new strategies and new markets.

Naranjillo is presented in international markets for almost 20 years. Its agro industrial exports have reached in approximately US\$ 80 million in the last ten years, exporting more than 11 business lines to 18 markets i.e. Australia, Belgium Germany, Italy, Korea, and United States.

Its success in exports is related with a long term vision and to an international market approach. The cooperative model offers among its services, training programs to increase technological skills and market intelligence for niche markets. NARANJILLO has exported from the cacao power (1994) to the most sophisticated chocolate production, 70% pure Peruvian organic cocoa (2013).

In 2010, the cooperative adopted the fair trade business plan with three main strategies: technological, commercial and social. To fulfill the plan, the cooperative increased its capacity in 35% and innovated production processes to obtain international standards of quality and traceability.

Its committees, executives and managers work together to achieve the goals and objectives following values and principles, with a great concern for the community. The cooperative is also implementing the principles of sustainability to obtain better prices for its products and to be aligned with social and environmental objectives.

At present, NARANJILLO is the most important agricultural services cooperative in Latin America and the main producer of cocoa 100% organic in Peru. Cooperative has obtained the following Fair Trade and organic certifications:



NARANJILLO has negotiating power and a capacity to develop strategic alliances with other collective enterprises, SMEs, retail chains and corporations for the production and export of its produce. The cooperative also understands the sustainable production concept for sophisticated markets. For that purpose, it has been able to develop adequate infrastructure and technical capacities in the chain of the cocoa's value.

During 2012, the exports of Naranjillo reached US\$ 13.9 million for 11 tariff items related to the production of cocoa, coffee and its derivate. They were destined to 15 markets, located mainly in Europe, Asia, and North America. By September 2013, the exports have reached US\$ 5.9 million.



During the research process, it was possible to verify that **Naranjillo is not only working efficiently with different types of firms; but also implementing alliances in some APEC markets through the fair trade networking.**

Naranjillo is producing chocolate for the gourmet line “Cuisine Camino” from the **La Siembra Co-operative** from Canada.<sup>74</sup> (See photo. Expoalimentaria 2013 – Lima Peru).



Literature review also provided information about the story of Naranjillo adopting plans for fair trade markets, struggling with illegal crops and improving social inclusion. However no study case has been written before about its success in international markets.

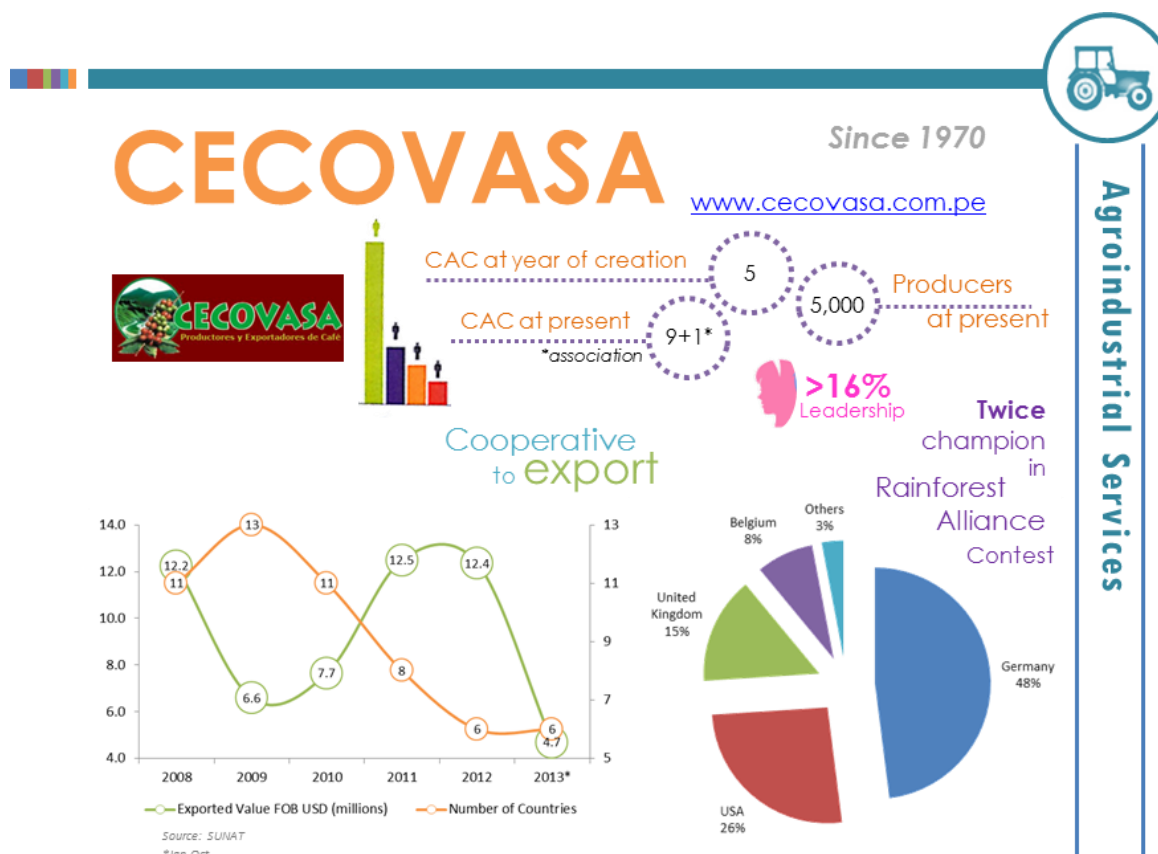
## Lesson learned:

- NARANJILLO have reached a competitive position due to its efficient management, and governance, however **market intelligence** is considered a good business practice that has contributed to consolidate its position in exports.

The cooperatives and its members have invested in technology and adopted as a strategy the consolidation of **alliances oriented to exports** that enhanced not only its competitiveness but also its client competitiveness, like SMEs, wholesale retailers and other cooperatives.

<sup>74</sup> La siembra.com: <http://www.lasiembra.com/camino/en/camino>

## 5) Strategic alliances and branding for international markets<sup>75</sup>



The Central Union of Agricultural Coffee growing Cooperatives of the Sandia Valleys (CECOVASA) is a **second-tier organization** created by coffee-growing producers of the Sandia Valley, which is located in the Andean – Amazon Region of Puno<sup>76</sup>

CECOVASA was established in 1970 by five agricultural coffee-growing cooperatives, which joined together in order to export directly, obtain better prices and share costs. The cooperative provides services such as training, technical support, credit, supplies purchasing, branding, certification, information, as well as storage, processing and sale of special coffees. The production line is oriented toward **export-quality and consumer-brand coffee**.

At the moment, it has nine cooperatives and one association gathering more than 5,000 small farmers and producers. These farmers are members of the Quechua and Aymara communities<sup>77</sup>. Coffee production is Arabica, with a predominance of Caturra, Typica and Bourbon varieties. More than 75% of the coffee for export comes from

<sup>75</sup> The case of CECOVASA was presented during the workshop and seminar (See Annex)

<sup>76</sup> Opinions related with CECOVASA performance were collected during the Peruvian International Fair "Expoalimentaria 2013. Literature review was obtained from CECOVASA and statistics from Infotrade Peru.

<sup>77</sup> Alongside Lake Titicaca, Tambopata (including Bahuaja Sonene National Park) and Inambari Valleys.

Tambopata and Inambari valleys, and it represents 2% of the whole Peruvian production.

Since the very beginning, CECOVASA has been an export cooperative. So it has a long relationship with coffee markets local and global. It has a consolidated experience interacting with private sector i.e. large companies<sup>78</sup> and SMEs<sup>79</sup>. The coffee has obtained important certifications as Fair trade certification (1993), Organic Certification (2007), Red Forest Alliance (2006) and Bird Friendly (2013). It is estimated that CECOVASA's organic coffee production surpasses 50% of the total production.

CECOVASA success lies in its strategic plan and in the coffee tradition and specialization of its producers. The union of cooperatives exports coffee since its creation and up until 1989 its production was destined to fulfill Peruvian exporting quota.

Changes in the Peruvian business policies and the rising of Fair trade created conditions for new business opportunity in international markets. Therefore, Sandia Valley coffee producers **remained together and strategically allied to compete on local and global.**

During 2012, they consolidated exports amounting to US\$ 12.6 million within six markets i.e. Germany, United States and United Kingdom. There are approximately 800 organized women in the Women's Development Council (CODEMU)<sup>80</sup>, who participate actively on the work planning, training programs and income generating activities for the cooperative.

At the beginning of 2012, CECOVASA participated in an initiative of the Government of Korea and Peru for the development of new markets and business opportunities in order to reduce extreme poverty in Southern Peru.

The goal was to acquire the technology and development of Korea through training program to create opportunities for the producers to meet special coffee potential clients in APEC markets<sup>81</sup>

CECOVASA has 8 brands of special high-quality coffee, among them Tunki Coffee, worldwide champion of the Specialty Coffee Association of America's (2010) and two-time champion of the Rainforest Alliance Coffee Contest (2010 y 2011).

By September 2013, they had exported only US\$ 4.7 million due to the strong impact of "La Roya" fungus in the coffee beans<sup>82</sup> and the fall of international prices. So,

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<sup>78</sup> Perhusa is CECOVASA client. Perhusa is the leading Peruvian coffee exporter that direct or indirect way, provides work and income to approximately 35,000 families.

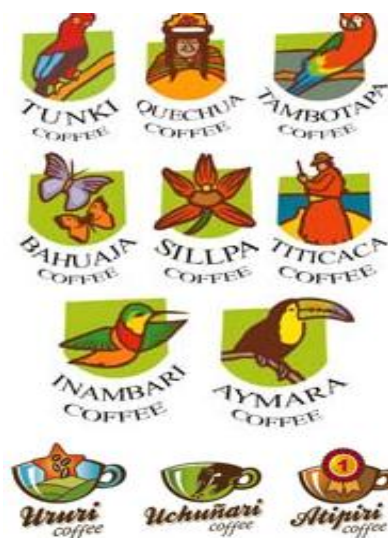
<sup>79</sup> Peruvian small business related with Hospitality sector works with Coffee TUNKI.

<sup>80</sup> See abbreviations

<sup>81</sup> Korean consumers are becoming more sophisticated about tasted and Premium products. Off-trade value of coffee is expected to grow by CAGR of 4% (Euromonitor, August 2013).

always following strategically its business plans, throughout a new project amounting up to US\$ 2.5 million, CECOVASA is now looking to generate a chain of value for other products such as cocoa, panela and fruits.

#### CECOVASA Brands



#### Lessons learned:

- **Create strategic alliances to export** is the best business practices that the farmers of the Andean Amazon CECOVASA put in practice in order to conquer local and international markets. Coffee producers understood since the beginning that they would obtain negotiation power and better conditions for their internationalization to compete remaining strategically together as allies.

All the cooperatives presented in the case studies have also implemented sustainable practices in order to be socially responsible and to protect the environment.

### 3.2. Cooperatives profiles: savings and credit cooperatives & consumer cooperatives

Survey for cooperatives also helped to identify a group of cooperatives that reflected both compliance with cooperative principles and contributions to strengthen business networks within the APEC region. These cooperatives are operating even since the early XX century.

<sup>82</sup> Peruvian coffee production fell 30% on 2013. Diario Gestión 12 August 2013.

## 1) Desjardins Group - Canada

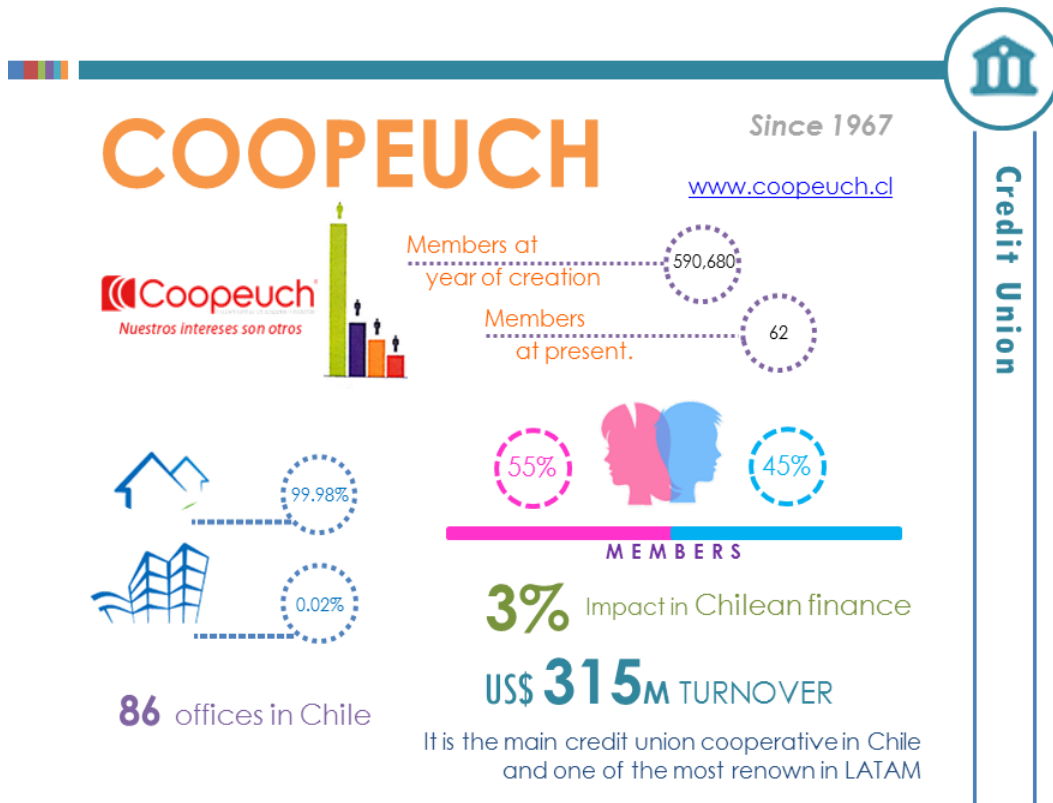


Located in Quebec, Desjardins is the first cooperative established in Canada. It is ranked 24 among the safest financial entities worldwide and 40 according to the **World Cooperative Monitor 2012**. Desjardins Group is the most important financial cooperative in Canada, re-known by its leadership even worldwide. This cooperative offers personal credit, savings plans, insurance, credit lines for business development, investment advisory and real state.

Among the years, the cooperative has created a perfect balance between principles and values and its sophisticated financial activity. Committed with its community, Desjardins offers its members training programs in different areas like financial management and savings and investments. It also encourages financial training among young people and empowers women to work in the financial sector.

It is presented in more than 50 developing economies throughout financial assistance projects. It is currently working on the "Regional Project to support governance in cooperative financial institutions in Latin America".

## 2) Coopeuch - Chile

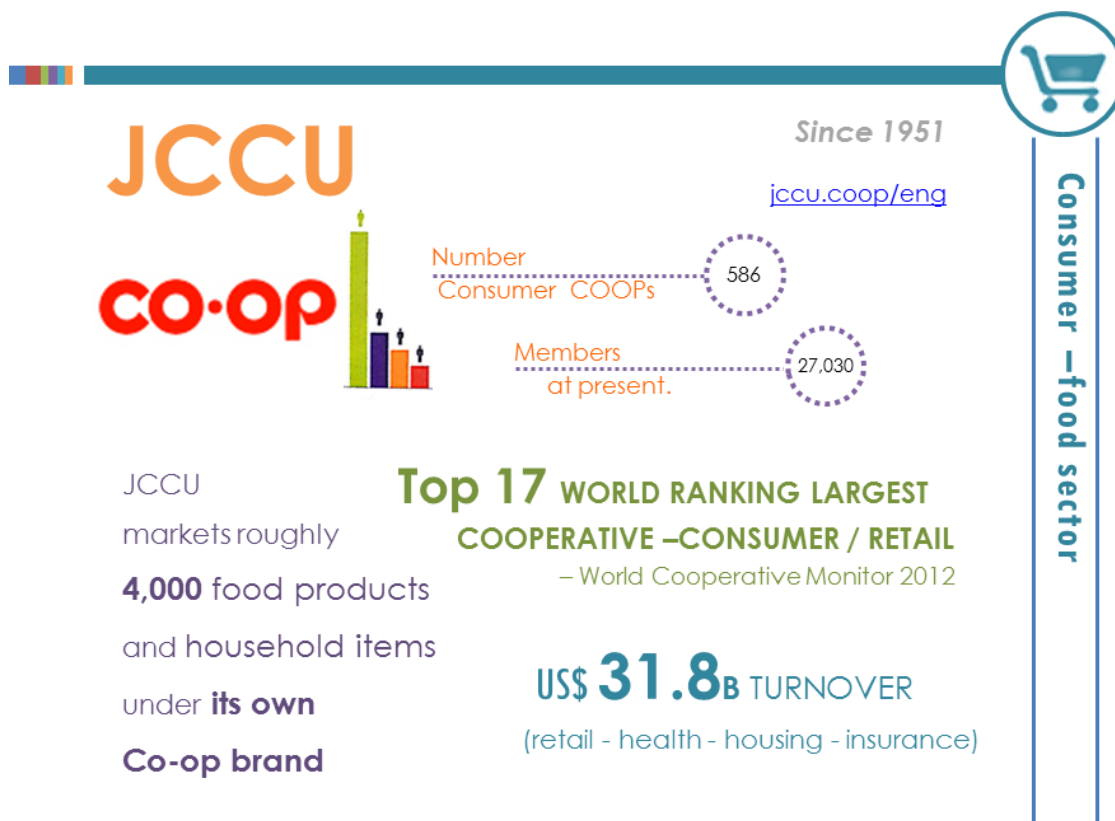


COOPEUCH is the main savings and credit cooperative in Chile and one of the most important in Latin America. Coopeuch's consumer loans represent more than 80% of its investments. In addition, the cooperative facilitates access to credit to SMEs and MEs through savings, time deposits, mortgage loans and consumer loans.

Coopeuch has 590,680 members (55% women), a network of 85 branches and more than 1,800 workers (45% women and 31% young people). In 2012, it surpassed the US\$ 2 billion assets.

This cooperative has a close relationship with community, and a very active institutional life through initiatives focused in promoting education and training programs among members and their families. COOPEUCH EDUCA is an online platform created to offer training programs online. Financial education programs and others like how to create a small business and nutrition programs are offered online and with no cost.

### 3) Japanese Consumer Cooperative Union – Japan<sup>83</sup>



Japanese Consumers Cooperative Union (JCCU) is the Apex organization of consumer cooperatives in Japan. It is ranked 17 among the largest consumer and retail cooperatives of the world, and 93 among the 300 largest cooperatives according to **World Cooperative Monitor 2012**.

JCCU is an excellent example of organization, efficiency, continuous improvement, commitment and sustainability. The cooperative union is constituted by 586 consumer cooperatives from wholesale retail, health and housing sectors. Consumer cooperatives supply, and offer assistance to 30% of families in Japan. **JCCU works for society and the welfare and happiness are its pillars.**

The wholesale retail cooperatives are 456, and they supply products and services to members located in all Japan. During 2012, consumer cooperatives reached a turnover of US\$ 25.5 billions turn over and members increased in 1.7%. Its products, under **COOP brand**, have enable customer loyalty, while its main features include fair prices, good quality and food security.

JCCU develops good business practices and efficient governance. It promotes training programs to improve management, customers' satisfaction, branding, development of new products, and food security. JCCU also improves the retail supply chain and the

<sup>83</sup> Consumer cooperatives are regulated by the consumer cooperatives law and managed by the Ministry of Health.

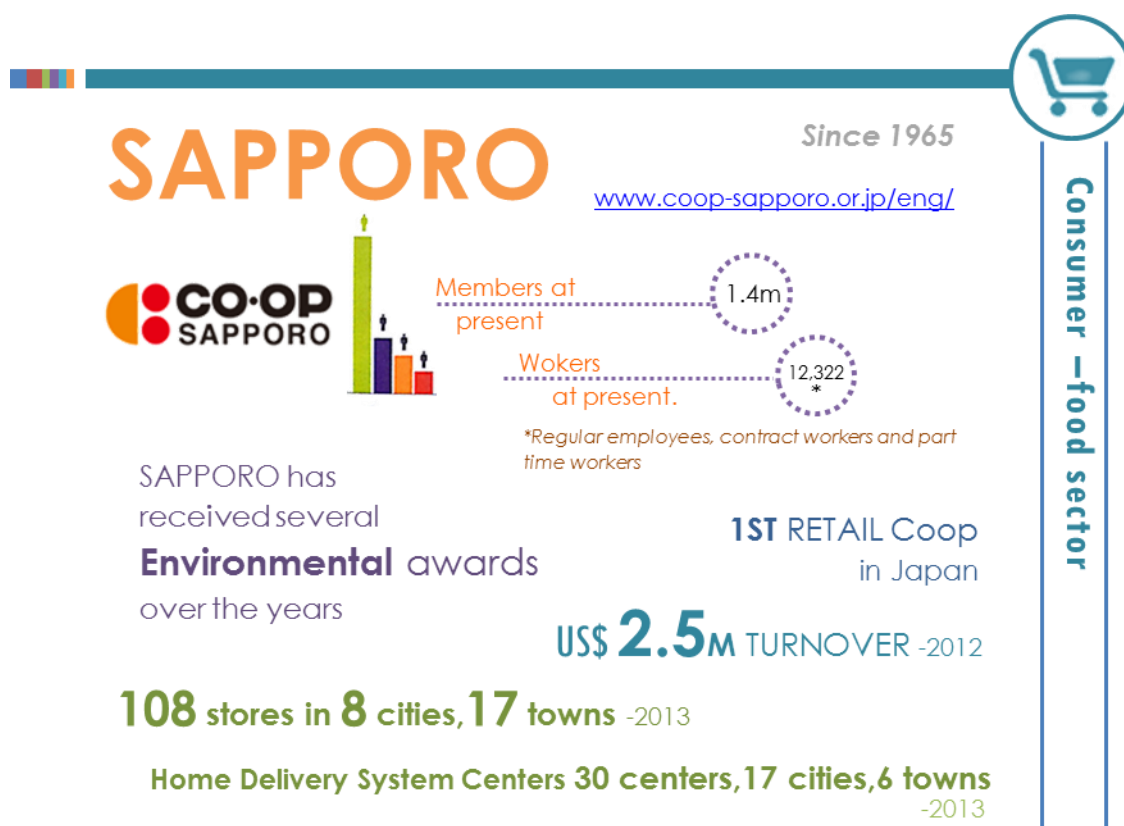


environmental sustainability through good practices. One of the very good cases, inside the JCCU is COOP Sanchoku.

COOP Sanchoku is a very unique experience that promotes food security and represents a direct integration between farmers and consumers. It is a cooperative business that ensures consistent supply of quality and safe products from consumer's standpoint. Therefore, producers and consumers establish a relationship through good practices as traceability, standardization and communication. Such practices promote rural development and the eco-friendly concept in the agriculture.

During the 2011 earthquake, JCCU played a key role in assisting its members and demonstrating its commitment with community and cooperation spirit.

#### 4) Coop Sapporo - Japan



COOP SAPPORO, member of JCCU, is the most important retail cooperative of Japan, ranked 33 in the top 300 biggest cooperatives according to World Cooperative Monitor 2012. It is a sociable responsible cooperative and is also considered a success story for this project because of its capacity to evolve along with the consumers' trends and its clients.



An efficient management, governance, innovation and communication are the pillars of this cooperative. However, commitment with education, and environmental and community protection are also important principles.

COOP Sapporo is one of the most sustainable cooperatives of the world, recognized for its practices of promoting education to protect the environment.

## Lessons learned:

**Principles, values and practices:** The synergy of principles and values of cooperatives along with the good practices of administration and management, have allowed DESJARDINS, COOPEUCH, JCCU and COOP SAPPORO to strengthen governance and achieve business excellence as well as efficient relationship with their members.

**Equity:** These cooperatives have also recognized the important role of men and women to the life of cooperatives and the community. In this sense, women's participation on the cooperative activities has a fundamental role for the leadership and productivity of the cooperatives.

**Concern for community:** One of the cooperatives greatest strength is its relation with the community's matters and needs, as well as the habitat protection. Communities also receive training to increase their quality of life, the development of other craftsmanship activities, raising animals and land growing.

**New business opportunities in the APEC Market:** All these cooperatives are creating new business opportunities and alliances in the APEC markets. Consumer cooperatives cannot export but they strengthen their relationship among the networking and branch offices.

### 3.3. Cooperatives replies to the surveys

Conducting the survey was one of most daunting challenges of the project. Cooperatives activities mostly evolve in the agricultural sector and in rural cottage industries; consequently, it was not possible to access to cooperatives as it was expected, but it was possible to obtain enough responses to get a conclusion about cooperatives competitiveness and relationship with SMEs.

It was possible to obtained responses from cooperatives unions and organizations in Japan, Malaysia and Viet Nam. Cooperatives in Chile, Japan, Peru and Thailand also responded directed to the survey.

It was necessary to organize a discussion online as well as an e-mailing activity, in order to obtain more replies. The cooperatives interviewed were from different types and sizes. According to responses, it was also possible to verify which were their main

problems and expectation about their future in the economic growth of the APEC region.

Table 8 presents the types and sizes of the cooperatives interviewed.

**Table 8: Type and size of cooperatives interviewed**

Cooperatives interview	Placed	Number of Members	Women participation Members	Total Assets US\$	Turnover US\$
The Smallest cooperative	Rural	41	20%	1,000	50,000
Average cooperative in agriculture	Rural	2,012	32%	8.5 million	24 million
Average cooperative saving and loans	Urban	2,273	51%	3.3 million	—
The largest cooperative	Urban	734	18%	450million	573 million

These cooperatives mainly expressed opinion about two important questions:

1) Which is the priority that your government gives to the cooperatives?

	Chile	Japan	Malaysia	Peru	Thailand	Viet Nam
Very high						
High	★		★			★
Fair		★		★		
Low						
No response					★	

The cooperatives answered that the government priority to cooperatives was high in Chile, Malaysia and Viet Nam; meanwhile it was fair in Japan and Peru. These cooperatives also replied that facilities obtained by applying the CBM instead of other business models, were mostly related with legal aspects.

Cooperatives also underline that they require a better and clearly fiscal treatment to operate and widespread their activities.

2) What are the common problems that your cooperatives face to operate on local markets and on a global basis?

	Chile	Japan	Malaysia	Peru	Thailand	Viet Nam
<b>To operate on local</b>						
Skilled labor	★	★		★		
R & D	★	★	★	★	★	★
Access to credit				★		
Red tape				★		
Tax regulation		★		★		
Good business practices		★				
Infrastructure						
ICT				★		★
Access to technology	★					
Access to global markets				★	★	★
Informality				★		
Ethical principles						
Training facilities						
<b>To operate on global</b>						
Custom barriers	★					
Non-tariff barriers						
Information about international events	★			★		
Training courses in international trade	★					
Access to supply chain				★		★
Logistic and technical costs	★					
Networking and international contacts	★	★	★	★	★	★

The common answer to question was research and development. R&D is considered by cooperatives even more important than market access. Cooperatives are also looking to new networking and asking APEC and their correspondent States to help them improve networking.

Access to credit is a critical issue in Peru, while Viet Nam requests higher possibilities of market access. Chile, Thailand and Malaysia are interested on more training programs to understand international markets and to work for alliance with partners abroad.

Japan requests to increase cooperation among cooperatives. Saving and credit cooperative require new technologies and so they are asking for new alternatives and an increase of options to access these technologies.

According to the survey results, it was decided to make a short interview to members of cooperatives, selected at random. The questions were oriented to verify how much they know about main issues of cooperative like cooperative law and principles. The interview took place at Lima-Peru.

In these interviews, cooperative members could not confirmed if principles are cited in their legislations and the only principle and value that recognized at a 100% was **democratic member control**.

Survey also included a section to express opinion about their future. The responses were very positive. They have a lot of expectations about the futures of their cooperatives and the cooperative movement but they underline that they require more government support.

One of the questions was oriented to obtain opinions of how to make cooperative business a more effective model when forming alliances with SMEs. Cooperatives replied to this question with a list of requests to their governments and to the APEC entities.

Topics	Summary of Replies
Role of Government	<ul style="list-style-type: none"> <li>▪ Cooperatives mentioned that government has to increase support to cooperative.</li> <li>▪ Legislation requires improvements.</li> <li>▪ It is necessary to improve public policies in favor of cooperatives.</li> <li>▪ To encourage the creation of new cooperatives through policy making.</li> <li>▪ Strengthen promotion to increase networking.</li> </ul>
Relationship with SMEs	<ul style="list-style-type: none"> <li>▪ APEC should implement more initiative to increase relationship with SMEs.</li> <li>▪ There is interest of cooperatives in going for alliances with SMEs but the SMEs know very little about cooperatives, and the cooperatives know very little about SMEs.</li> <li>▪ Create new platforms to start-up a relationship with SMEs</li> </ul>
Research and development	<ul style="list-style-type: none"> <li>▪ APEC has to help to connect the cooperatives with international R&amp;D firms to be able to develop new products and improve research in the different sector. Government support is needed to conduct these issues.</li> <li>▪ Increase R&amp;D and improve technological exchanges between research institutes and universities.</li> </ul>
Training programs	<ul style="list-style-type: none"> <li>▪ Cooperatives (workers and members) indicated that they require more training programs in management skills, creation of new products, access to technology, business opportunities, accessing to national and international markets.</li> <li>▪ Incentive to access training programs.</li> </ul>
Cooperation among cooperative	<ul style="list-style-type: none"> <li>▪ It is necessary to increase the cooperation among cooperatives</li> <li>▪ In spite of many efforts, cooperation among cooperative is still very limited.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ More support to increase the cooperative's competence and skills.</li> <li>▪ There are very limited activities with cooperatives in other sectors.</li> </ul>
Access to credit	<ul style="list-style-type: none"> <li>▪ More support to access private investment.</li> <li>▪ It is important to have a good legislation and a tax regime. Even though the governments need to improve legislation and tax regime, solutions to access to credit are needed. There are limitations to access the banking system, and without credit there are no opportunities of access to new technology, innovation and ICT.</li> <li>▪ It is important to foster private investment but trying to maintain cooperative principles.</li> </ul>
Saving and credit cooperatives	<ul style="list-style-type: none"> <li>▪ It is necessary to improve technologies.</li> <li>▪ Support is needed for the development of new technologies for saving and loans. The cooperatives need new methodologies for the management of microfinance cooperative.</li> <li>▪ Training courses are required on financial education of the family</li> <li>▪ Training courses are needed for the management and governance of saving and loans cooperatives.</li> </ul>

## Interviewing SMEs

Fifteen male international managers of small and medium size enterprises, in an age range of 35 to 60 years, were interviewed to verify their knowledge about the cooperative business model. To the question: **What is your knowledge about cooperatives?** These managers replied as follows:

	Number of replies
Widespread knowledge about cooperatives	-
Discrete knowledge about cooperatives	7
Very few knowledge about cooperatives	8
Any knowledge about cooperatives	-

These managers also evidenced a limited understanding of the symbols of cooperatives. They were informed that their answers to the questions were going to be used for a project related with the innovation of the cooperative model to increase the competitiveness of SMEs for access to global markets.

**To this respect, all the managers indicated that they would like to receive further information as training programs, workshops and business initiatives.**

## IV. Recommendation to build linkages between SMEs and cooperatives<sup>84</sup>

SMEs are flexible and dynamic structures that are exporting worldwide. Therefore, a CBM to become an enhancer of competitiveness of SMEs should be aligned with the mission and vision of SMEs. A cooperative, entering the supply chain with good products and fair prices, can increase the competitiveness of any type of firm.

On the other hand, strengthening SMEs networking with other business models will not only create more business opportunities but it will also enhance the industrialization process, mostly in developing economies with GDP growing at an average of 5 and 6% annually.

SMEs contribute significantly to GDP and exports in the business structures of the nine economies. For instance, in 2012, Canadian small companies created 7.7 million jobs and accounted for 69.7% of the private sector employment overall. Korea boasts 3.2 million SMEs while SME contribution to Malaysia GDP reached 32.7% in 2012<sup>85</sup>.

CBM innovation will allow SMEs better opportunities to increase their competitiveness. Nevertheless, it will be useful to implement some actions to encourage the alliances among both business realities, and for that purpose, the following recommendations are proposed:

- a) **Communication to increase linkages:** SMEs do not have a clear understanding of the role that cooperatives may play in creating business and competitiveness. The relationship of SMEs and cooperatives is mainly affected by the gap between rural and urban areas. SMEs located in urban areas, and cooperatives in rural areas, have the possibilities to establish new alliances through increasing activities of communication to linkage both cooperatives and SMEs. Seminars and events, workshops, forums of discussion will contribute to increase the linkages and networking. The workshop and seminar “Enhancing the competitiveness of SMEs through the innovative cooperative business model” opened the discussion about the relationship between both models, but it is necessary to continue working in this direction.
- b) **Strengthening of institutional relation:** Economies are committed to strengthening their own cooperative movements. As too, business associations, industrial organizations and/or trade promotion agencies must promote the integration with the APEX cooperative organizations, federations and/or other

<sup>84</sup> This chapter contains the Consultant opinion and recommendations with regards to the SMEs and COOPs relationship.

<sup>85</sup> Department of Statistics Malaysia. At present, the number of SMEs in Malaysia is 645,136.

cooperatives representatives. APEC can play a crucial role in the integration of these organizations through the APEC SMEWG actions and plans.

- c) **Business and market intelligence:** Cooperatives will make SMEs more competitive throughout complementarity. It was possible to scout viable business opportunities to verify how many of them would turn into potential and real businesses. The results were translated into a complementarity map presented in Graphic 6. This graphic is also supported by the information about SMEs presented in Table 9. According to the scouting, wholesale retail, food, handicraft, and renewable energy are sectors that have highest possibility to generate business opportunities and new business ventures between SMEs and cooperatives.

For instance, agricultural cooperatives would strengthen the niche market products' supply and exports; while cooperatives developing **renewable energy projects** would provide alternatives for SMEs, which operate in the same sector, mainly in rural areas. The map of complementarity also evidences that economies can increase their trade of good and services inside the APEC region. However, it would be necessary to identify which cooperatives have the highest performance to integrate them to exporting and/or to sustainable project of SMEs. National authorities and cooperatives movements can contribute to identify the best cooperatives and those that are innovating to increase alliances.

- d) **Hospitality sector development** could strengthen the promotion of tourism within rural areas as well as the development the Ho.re.ca industry<sup>86</sup>. SMEs hold a high potentiality within this sector and both business' realities could acquire better competences in the tourism and hospitality development, combining their efforts mainly among rural areas.<sup>87</sup>.
- e) **Products from the vulnerable areas have potential for the supply chain** and it is necessary to promote them because they can contribute significantly to the social inclusion small producers and communities in rural areas. These products have not only excellent quality but also a fair price.
- f) **Women empowerment:** During the research study and throughout the survey and interviews, two important features were highlighted regarding women participation in creating SMEs and cooperatives alliances. The concept of **cooperativeness** defines women inside cooperatives; while **competitiveness** defines women inside SMEs.

The principles and values determine guidelines for women empowerment in the cooperative work; while inside SMEs, women are involved in decision making, management, social responsibility, and profitability. However, both women in

<sup>86</sup> Ho.re.ca.: Hotel, restaurants and catering industry

<sup>87</sup> See successful case of Agrotourism cooperatives in Italy and Spain.

cooperatives and women in SMEs are looking for better to job opportunities with the only purpose to offer more stability, equity and better life conditions for their families and communities.

WOMEN FORUMS to integrate women to SMEs with the women in cooperatives would be a proposal that would also benefit the compliance of APEC 2013-2016 Strategic Plan. In cooperatives and SMEs, women need a space to exchange their business experiences, strengthen their management skills, to encourage the knowledge of their own cultures; and to evaluate the family role with the intention of making proposals to increase their job and business opportunities.

For instance, in Hospitality sector, women have many possibilities to develop as entrepreneurs in rural and urban areas. Graphic 7 presents a mapping outlaying of the economies which women have the greatest options to encourage alliances among SMEs and Cooperatives.

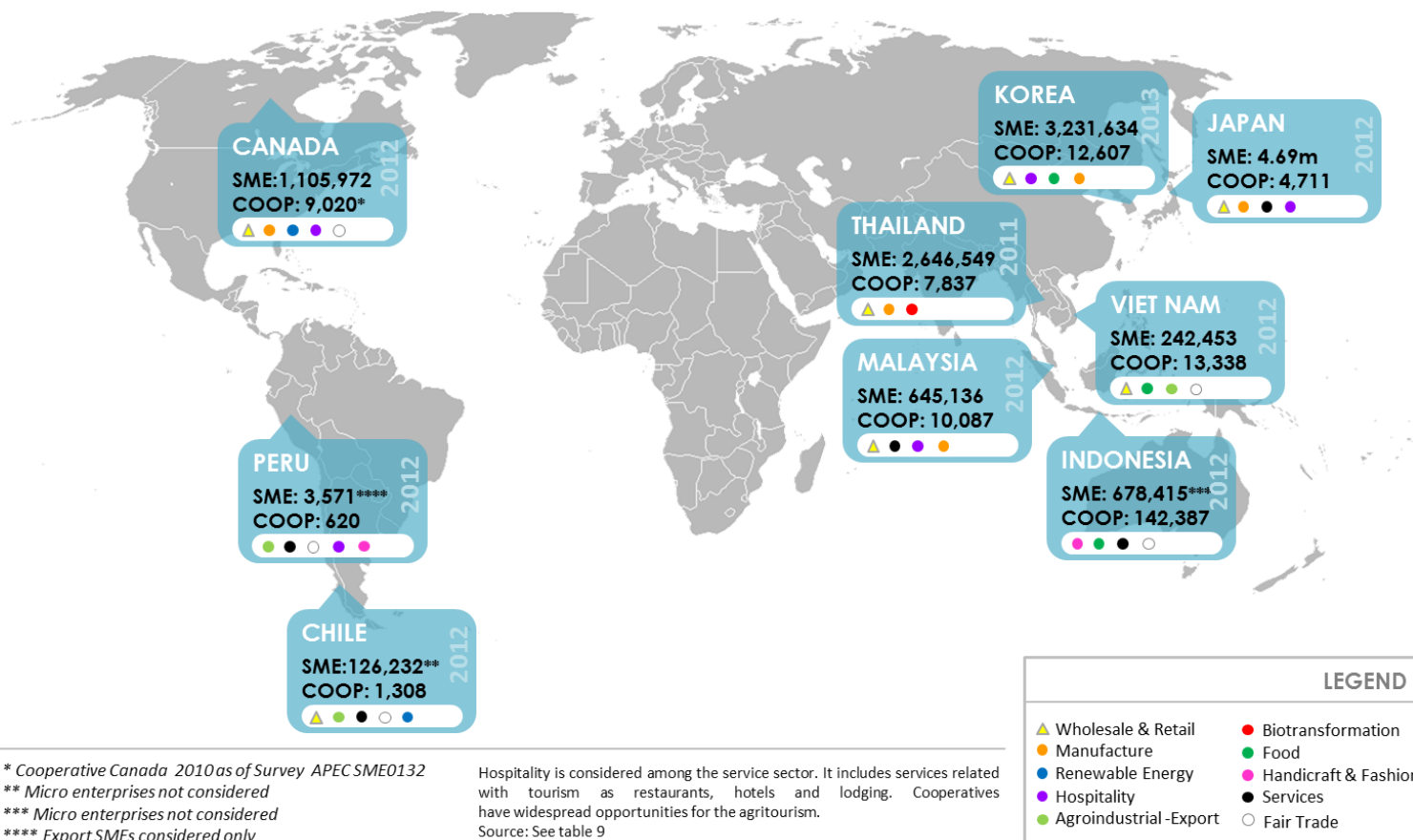
- g) **A matter of trust:** Cooperatives are business structures in which principles and values are the pillar of development. The compliance of values and principles, not only allows governability, but also the strengthening of trust. **Cooperatives are strengthened through trust and they achieve success through governance and an efficient management.** Modern management offers enterprises the alternatives to train managers also in cultural diversity to create confident bridges with its potential partners. In this context, it is important to evaluate cooperatives as enterprises with excellent conditions to build trust specially for facing global market.
- h) **Create data bases:** It was not possible to obtain complete or updated business reports related with cooperatives in APEC region. There are many cooperatives making excellent business in the APEC region but there is very limited information available. The limited access to the information does not help to increase the opportunities to access to SMEs. The creation of data bases or **directories on line of the cooperatives in the APEC region** would increase the possibilities to access to the cooperatives to understand which are their goods and services.
- i) **APEC 2013-2016 Strategic Plan:** The strategic plan includes actions for the development of SMES and MEs' oriented to specific objectives to access greater business opportunities, training and credit access. Alliances with cooperatives may benefit the compliance of the APEC Strategic Plan's objectives and generate competitiveness for SMEs.



Graphic 6

# Complementarity Map:

## Potential sectors for alliances between SMEs & Cooperatives



**Table 9: SMEs by sectors, workers, and capital and sales - 2013**

Economy	Sector	SMEs	
		No. of workers	Capital or Sales
CANADA	Goods-producing business	S: < 100 M: < 500	-
	Service-based business	S: < 50 M: < 500	-
CHILE	Services	S: < 30	S: Annual sales 2.400 UF - 25.000 UF
	Wholesale retail, manufacturing, food, industry, renewable energy, agroindustry for export-	M: 30 - 200	M: 25.000 UF - 100.000 UF
INDONESIA	Handicraft, fashion and accessories, furniture, agriculture	-	S: Net assets Rp 50 million – 500 million
	Agriculture, food and beverage, health and beauty	-	M: Annual sales Rp 300 million – 2.5 billion
JAPAN	Manufacturing and others	≤ 300	Capital: ≤ 300 million yen
	Wholesale	≤ 100	Capital: ≤ 100 million yen
	Retail	≤ 50	Capital: ≤ 50 million yen
	Service	≤ 100	Capital: ≤ 50 million yen
KOREA	Manufacturing	< 300	Capital worth: ≤ 8 billion won
	Mining, Construction and Transportation	< 300	Capital worth: ≤ 3 billion won
	Publication, Information and Communication, Administrative and Support Service Activities, Human health and social work activities, Professional scientific and technical activities	< 300	Sales worth: ≤ 30 billion won
	Agriculture, forestry and fishery, Electricity, gas, steam and waterwork business, Wholesale and retail trade, Accommodation and food service activities, Financial and insurance activities, Arts, entertainment and recreation	< 200	Sales worth: ≤ 20 billion won
	Sewerage, waste management and remediation activities, Education, Repair and other services	< 100	Sales worth: ≤ 10 billion won
	Real estate, rental and leasing activities	< 50	Sales worth: ≤ 5 billion won

Continue table on next page

**Table 9: SMEs by sectors, workers, and capital and sales - 2013**

<b>MALAYSIA</b>	Manufacturing	< 200	Sales turnover: < RM50 million
	Service and other sectors	< 75	Sales turnover: < RM20 million
<b>PERU</b>	Fashion, handicraft, food, agroindustry for food, services	S: ≤ 100	S: Annual sales < 1,700 UIT
	Manufacturing, industry, textiles, mining	M: > 100	
<b>THAILAND</b>	Production	S: < 50 M: < 200	-
	Service Trading	S: < 50 M: < 200	-
	Wholesale	S: < 50 M: < 100	-
	Retail	S: < 30 M: < 60	-
<b>VIET NAM</b>	Agriculture, forestry, manufacturing	S: 10-29	-
	Manufacturing, industry and trade	M: 30-299	

Source:

Canada: Industry Canada

Chile: SOFOFA

Indonesia: Government of Indonesia

Japan: Organization for Small &amp; Medium Enterprises and Regional Innovation

Korea: Small and Medium Business Administration

Malaysia: SME Corporation Malaysia

Peru: Sociedad Nacional de Industrias

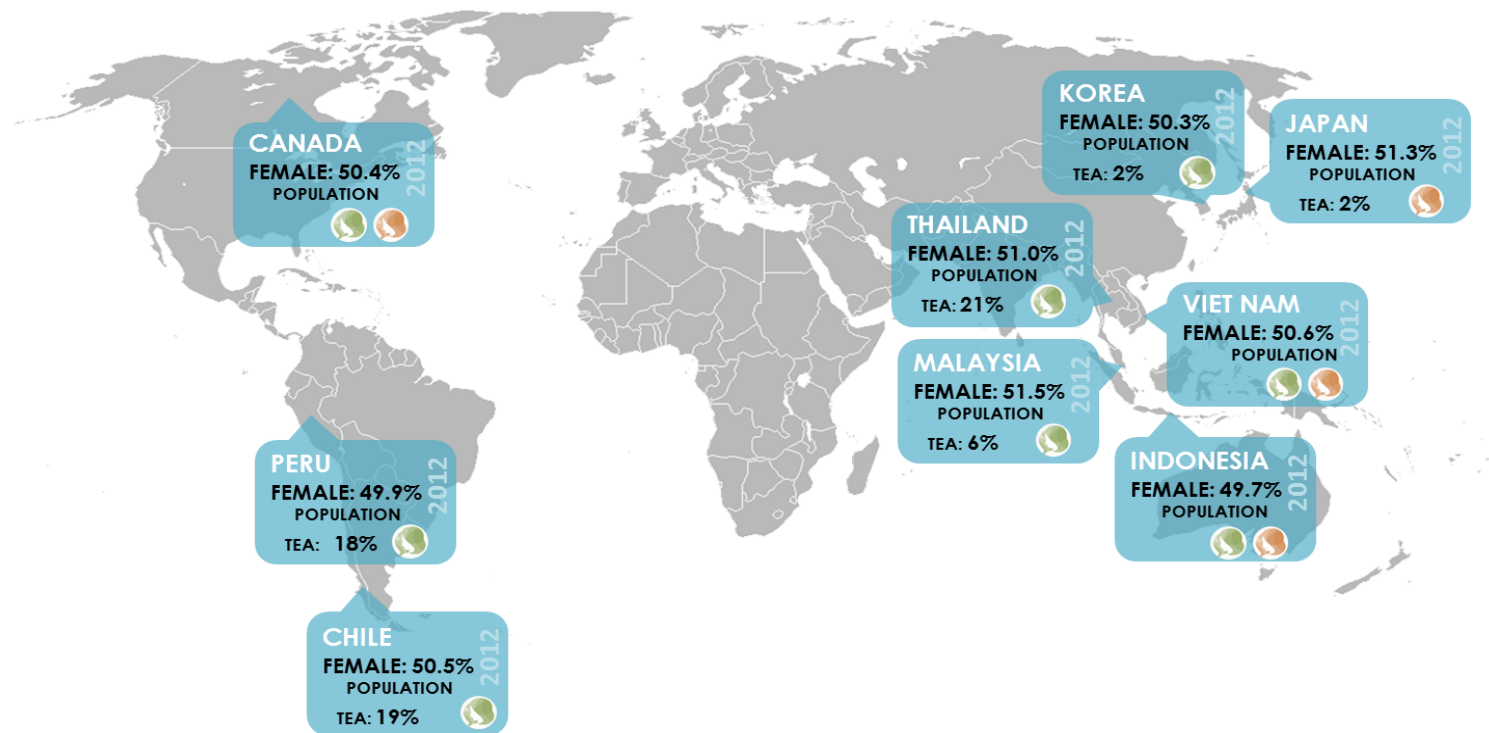
Thailand: Office of Small and Medium Enterprises Promotion

Viet Nam: General Statistics of Viet Nam

Graphic 7

# Map of Opportunities

## to enhance alliances between women in SMEs and Cooperatives in APEC region



Source:

Female Population, The World Bank

Global Entrepreneurship Monitor 2012 Global Report

\*TEA: Total Entrepreneurship Activity

Canada: Women comprised 37.0% of managerial positions in 2009 - Data source: Government of Canada

Chile: 56.9 % of women work in credit unions - Data source: Superintendencia de Bancos e Instituciones Financieras de Chile -2012

Malaysia: 0.75% of women work in cooperative - Data source: Cooperative Societies Commission / 19.7% of women own a SME - Data source: Economic census 2011 by Department of Statistics of Malaysia

Peru: 25% women work in an agriculture cooperative - Expert opinion Lorenzo Castillo (JNC) -2013

### LEGEND



Major presence of Women in SMEs



Major presence of Women in COOPs

## V. Conclusions

- a) **Workshop and seminar:** The International workshop and seminar **“Enhancing competitiveness of SMEs through innovative cooperative business model”** was held at Lima-Peru on 19-20 November, 2013. International experts on cooperatives discussed about the past, present and future of the cooperative model. **This event opened the discussion about the potential relationship between SMEs and cooperatives in APEC region.** See Annex to visit the website of the event.
- b) **Indonesia, Japan and Thailand:** These economies did not reply the survey for government, for that purpose it was not possible to obtain authorities information about their reforms, but there are consolidated cooperative movements in their territories. There are 142,387 active cooperatives (See annex) and 678,415 SMEs in Indonesia creating networking and clustering in sectors as agriculture sector, food distribution and handicraft sectors. Indonesia is also making reforms to increase women in job creation.

Japan also called **the land of cooperatives**, is one of the best experiences of cooperative movement in APEC region and worldwide, but cooperatives are not regulated by a single law or entity. Since May 2013, the new national cooperative alliance **“Cooperatives Japan”** has replaced the Japanese Joint Committee of Cooperatives with the intention of setting new goals and achievements to provide more opportunities for cooperatives (See Annex).

Japan is also working towards the creation of cooperatives more human and sustainable in the framework of the economics of happiness. It is also noteworthy, the experience of Japanese cooperatives dealing with the disaster after the earthquake and tsunami of 2011. Cooperative workers and members reacted very fast to the disaster and created conditions for the reconstruction throughout the community services and new job opportunities. Japanese spirit of cooperation has recognition at national and international levels.

In Thailand, the role of SMEs is crucial in the employment creation and exports. Thailand’s Master Plan of SMEs promote and support development of SMES but since, the International Year of Cooperatives, the promotion of cooperatives has been included in Thailand’s national agenda to help enhancement social and economic development, in both urban and rural areas. There is also increasing the number of credit and saving cooperatives offering solution for microcredit. The **Cooperative League of Thailand (CLT)** is the Apex organization of the cooperative movement in Thailand.

- c) **Credit and saving cooperatives:** The economies in analysis for this research presented a relevant number of cooperatives in agriculture sector which is also more suitable for alliances with SMEs in supply chain and market access. However, a recommendation would be to extend the analysis to the **role of saving and credit cooperatives (i.e. credit unions) in microcredit.**

Mr. Barry Silver Executive Vice President, National cooperative Bank (USA) and Mr. Manuel Rabines – General Manager of FENACREP (Peru) discussed about the role of credit and saving cooperatives in access to credit. Bigger credit and saving cooperatives are creating better credit accessing conditions for enterprises searching for capital; meanwhile in developing economies, they are redefining the role of microcredit in agriculture sector and the financial assistance to SMEs and MEs.

World Council of Credit Unions (WOCCU) and the International Cooperatives and Mutual Insurance Federation (ICMIF) are the organizations of credit unions worldwide and these institutions have updated information and useful statistics for the analysis of this sector.

- d) **Training programs:** Considering that cooperative movement was born in Europe, successful experiences mainly from Germany, France, Italy and United Kingdom have had a significant influence for the cooperative movement in developed and developing APEC economies. Mr. Paolo Tonelli - President Staff from the Federation Trentina of Cooperation presented the case of the cooperatives in Trentino – Italy<sup>88</sup>.

Throughout the Italian experiences, Mr. Tonelli emphasized the important role of cooperatives education and training programs to increase management capacities, governance and technical skills. Mr. Alberto Mora from the International cooperative Alliances (ICA) and Mr. Carlos Schultze (Chile) also explained that it was necessary to foster education to better understand cooperatives together with their principles and values. In APEC region, there are relevant schools of cooperatives in Canada, Japan, Korea, Malaysia and United States<sup>89</sup>.

- e) **Linkage with SMEs:** Cooperatives are proposed as better SMEs partners due to the fact that both deal with the small scale problem, and because their main sectors for business are complemented by each other. During the seminar, Jae H. Lee, Ph.D explained that it was not very simple to create linkages between SMEs and cooperatives but he emphasized that it was necessary to create a **good framework** to

<sup>88</sup> Case of cooperatives in Trentino - Italy: <http://www.produce.gob.pe/proyectos/business-model/docs/Paolo-Tonelli-Italia.pdf>

<sup>89</sup> IDACA Japan (for agriculture) - [http://www.idaca.or.jp/e\\_p/index.html](http://www.idaca.or.jp/e_p/index.html)

Cooperative College of Malaysia - <http://www.mkm.edu.my/en/home>

In Canada, Korea and United States there are many universities with training programs and center of research on cooperatives.

build the relationship between both business models. Therefore, it is important to understand very well management inside cooperatives, increase attention to the improvement of regulation and legislation to promote the progress of cooperatives progress, and include women in the agenda. It is necessary to work more to create the linkage and networking.

- f) Young people:** Percentage of young people in APEC region is relevant (See Table 1). During the research process, it was verified that the future of cooperatives was somehow threatened by the problem of generational relay. Young people looks for better opportunities in big cities and big enterprises; global migration has more impact in youth; SMEs also offer excellent opportunities for youth entrepreneurship; technology and modernism call more the attention of young people than tradition and rural lifestyle. It was also evidenced that senior managers and committees have several difficulties to grand power to junior managers or younger members.

Mr. Heber Fundes – Director of Business Articulation at PRODUCE (Peru) and Mr. Lorenzo Castillo – General Manager from Junta Nacional del Café (Peru) proposed to increase the attention to generational relays. They suggested developing strategies to improve the understanding of cooperatives by the youngest members, and encourage them to not abandon cooperative for other type of job opportunities. It is necessary to propose plans and programs with more training courses related with principles and values as well as management and technical skills. It was also suggested that senior managers, committees and directors should share their experiences and involve the youngest with the solving problems of cooperatives and the communities.

**Final conclusion:** The CBM is a model that due to its own characteristics has not held a prevailing spot in the business world. Talking about business from the large enterprises to SMEs means to talk about results, social responsible, environment and profitability; while for cooperatives, business means security for its members and sustainability for the community. That is why, the model for most of the time, has been seen as a model overcome poverty instead of a business model to create new alliances.

Globalization, international financial crisis and the need to protect the environment provide cooperatives a new chance to prove that they can survive, create good opportunities for long term jobs, and have potential to face economic and social changes. Cooperatives will survive as a social-economic model. Nevertheless, the challenge they hold is to upraise as a responsible and sustainable business model, able to interact with other business models in the productive and services sectors oriented to local and global market.

Cooperatives require more innovation, but their present status reveals that they have great potential to enhance the competitiveness of SMEs in APEC region in supply chain and also market access at national and international levels. On the other hand, the principles and values contain ethical, social, and environmental aspects that can also help SMEs with their social responsible projects and plans.

**Seven recommendations for small producers based on the experience of Mr. Réjean Lantagne from SOCODEVI (Canada)<sup>90</sup>:**

- 1) Governance:** Effective laws, clear policies and incentive, training facilities and credit access are required to increase the governance inside the cooperatives. The good governance will build the confidence for the CBM.
- 2) Organizations with negotiation leverage:** The creation of second tier organizations is important for commercialization. The federations and confederations with negotiation leverage have higher possibilities to open new markets.
- 3) Stronger political pressure:** When cooperatives are small, they should try to remain together in order to put more pressure and to achieve better results. The presence of small cooperatives is still very widespread; while the bigger cooperatives' presence is very limited. Small producers will be able to put more pressure on the authorities if they are together.
- 4) Trust and confidence:** Small cooperatives play a key role in building trust and confidence. Starting from this trust and confidence, it is possible to create a great network and safety business.
- 5) Efficiency and long lasting:** making sure that the small cooperatives integrate to the big ones. Big cooperatives have more opportunities to guarantee long term jobs.
- 6) Women as a success element:** The possibility to be near the family, greater organization capacities and willingness to work are the main features of women in cooperatives. It is because of this reason, that their presence shall be enforced throughout managerial and technical training.
- 7) Community:** Community participation is important to strengthen the cooperative's management. Qualified leaders, committed members and employees are a key factor of the cooperatives and the community growth and success.

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<sup>90</sup> Recommendations from Mr. Réjean Lantagne (Canada).



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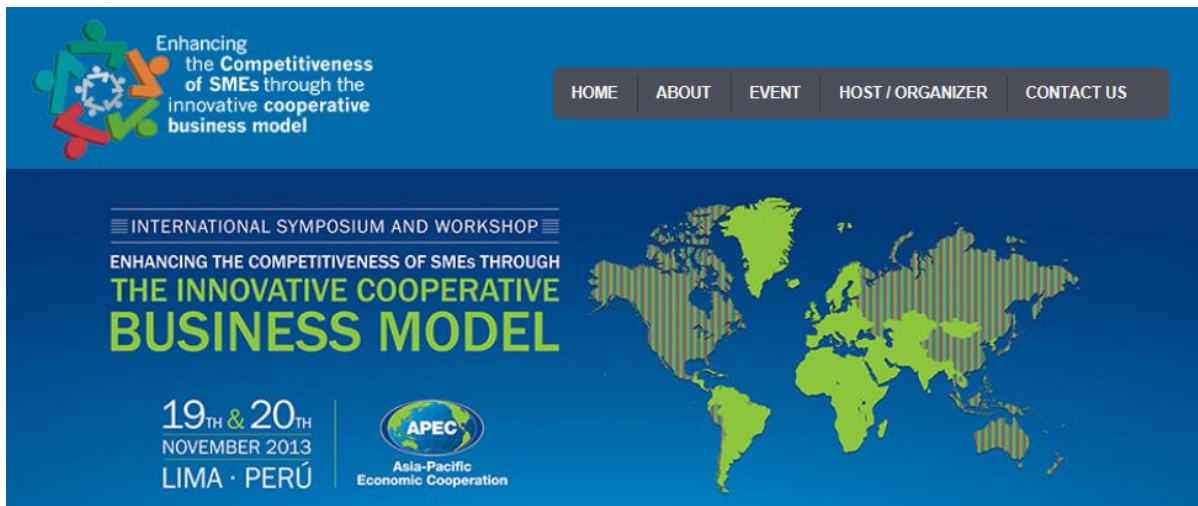
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# Annex

## Workshop and Seminar

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## ILO Recommendations and Guideline for legislation



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### NORMLEX

Information System on International Labour Standards

**R193 - Promotion of Cooperatives Recommendation, 2002 (No. 193)**  
*Recommendation concerning Promotion of Cooperatives*  
*Adoption: Geneva, 90th ILC session (20 Jun 2002) - Status: Up-to-date instrument.*

Display in: French - Spanish - Arabic - German - Russian - Chinese

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ILO home > About the ILO > How the ILO works > Departments and offices > Enterprises Department > Publications > Guidelines for cooperative legislation, third revised edition ...

**ENTERPRISE**

About the department

Areas of work

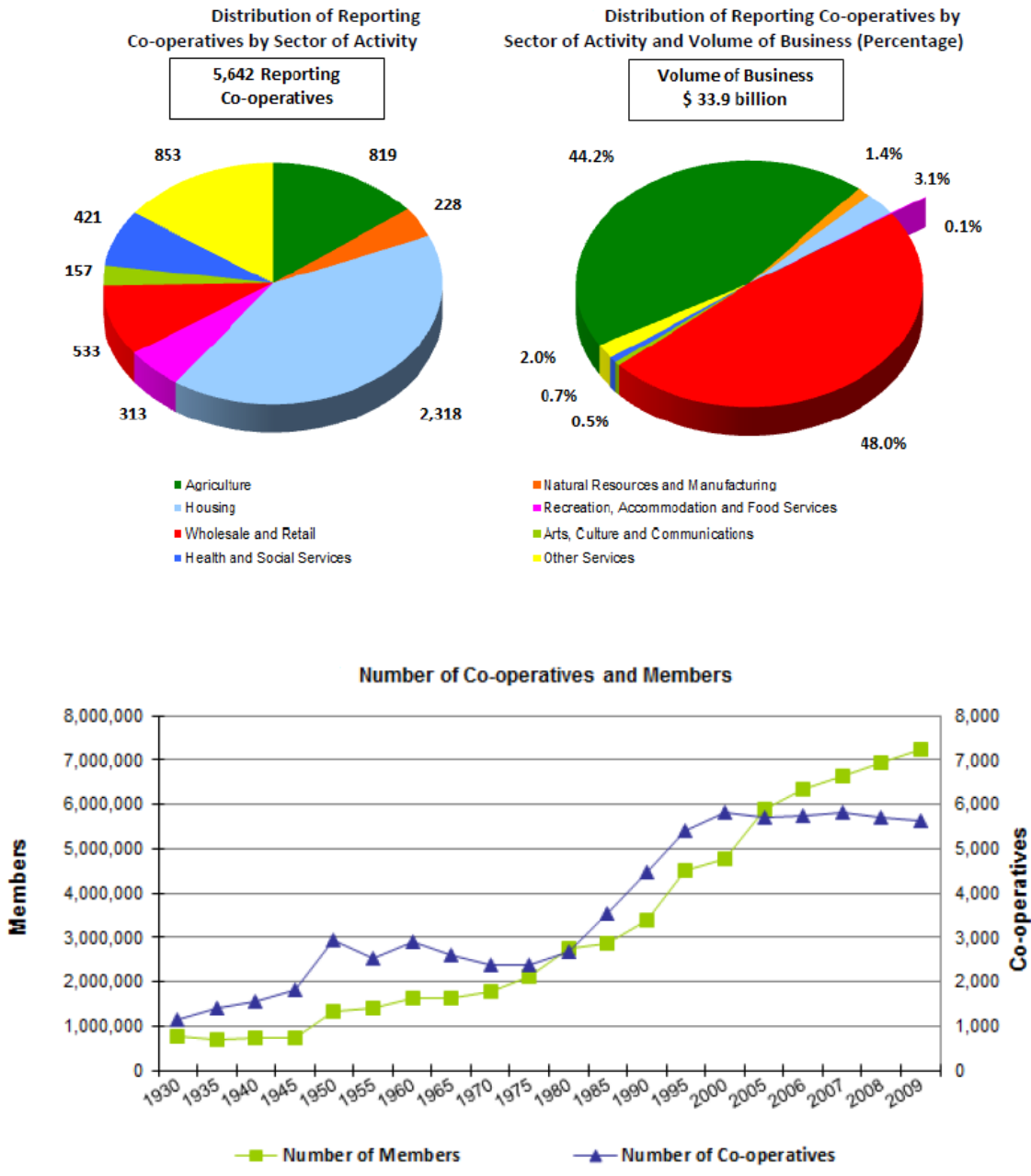
### Guidelines for cooperative legislation, third revised edition

Provides guidance on how to draft a cooperative law.

Statistics

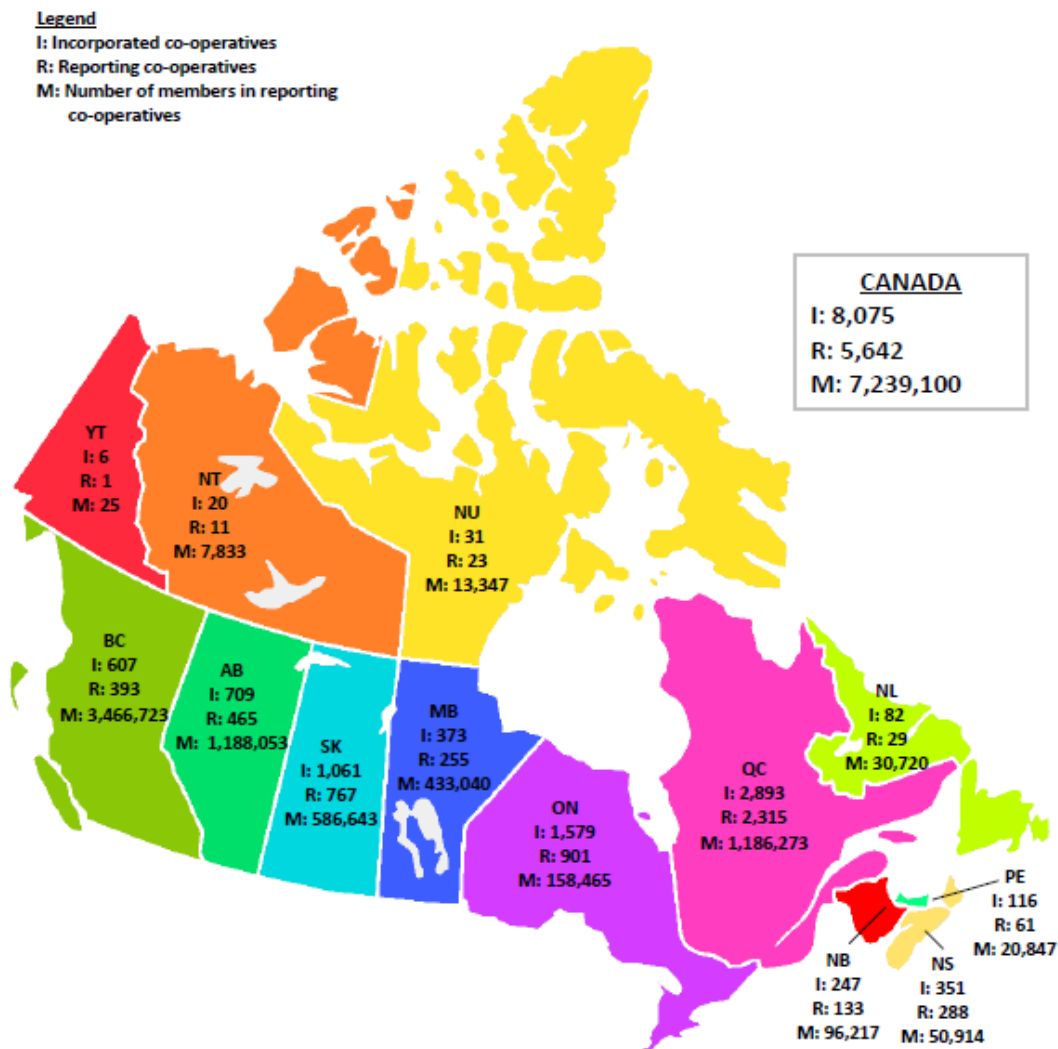
CANADA

OVERVIEW OF REPORTING CANADIAN NON-FINANCIAL CO-OPERATIVES IN 2009



Source: Industry Canada 2013

## Distribution of Non-Financial Co-operatives by Province and Territory




Source: Industry Canada 2013

It is important to note that in Canada, provinces and territories have their own legislation, programs and policies. Quebec and Ontario present the major number of reporting cooperatives; meanwhile British Columbia and Alberta present the major number of members.

The report **Cooperatives in Canada 2009 – Industry Canada** presents a complete analysis of non-financial cooperatives, caisses populaires and credit union in Canada.



**CANADA:** Renewable energy is creating new business opportunities for SMEs in developing economies mostly in rural areas. The experience in this sector from cooperatives in developed economies may offer opportunities for creating new alliances to participate in projects and bids.

**CANADIAN  
CO-OPERATIVE  
ASSOCIATION**



**ASSOCIATION  
DES COOPÉRATIVES  
DU CANADA**

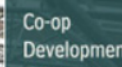
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About Co-operatives
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Developing a Co-op in Canada
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**Co-op Development  
InfoService**

Developing a co-op  
in Canada

**Co-op Development  
InfoService**

**How to start a co-op**

## Renewable Energy

[Home Page](#) > Renewable Energy

**Renewable Energy**

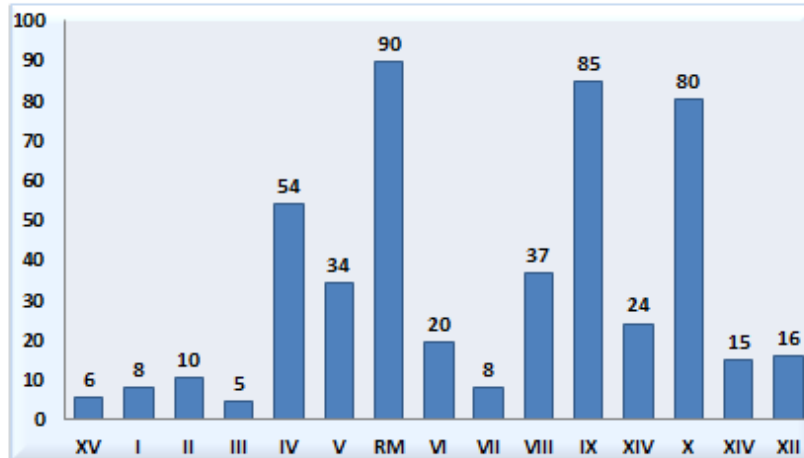
Renewable energy co-ops are still relatively new in Canada and at present include wind, solar and biofuel co-ops. They include all co-op types - consumer, worker, producer and multi-stakeholder - and most often their activities focus on the production and distribution of renewable energy. Some co-ops in this sector work at the community level to promote renewable energy or to help raise investment and support project development.

## CHILE

## Chile: Cooperative created from 2010 to Oct. 2013

✓ Total number of cooperative created and start-ups  
( 2010 – Oct. 2013)

492



## Chile: Active Cooperatives distributed by Region - 2013



Source: DECOOP – Department of Cooperatives – Chile 2013.

**INDONESIA: COOPERTIVES DISTRIBUTION BY PROVINCE****30 June 2013\*\***

N°	Province	Cooperatives (unit)			Members			RAT (Unit)	Managers			Workers		
		Total	Active	No Active	Total	M	F		Total	M	F	Total	M	F
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1	N. Aceh Darussalam	7.455	3.714	3.741	459.313	0	0	846	1.526	0	0	5.262	0	0
2	Sumatera Utara	11.512	6.537	4.975	2.090.116	1.228.708	861.408	3.945	1.489	1.002	486	11.433	6.167	5.266
3	Sumatera Barat	3.726	2.591	1.135	535.733	272.788	262.945	1.194	580	396	184	4.687	2.209	2.478
4	Riau	5.040	3.618	1.422	608.394	0	0	1.079	639	0	0	5.217	0	0
5	Jambi	3.504	2.286	1.218	359.294	265.661	93.633	983	605	495	110	3.615	2.016	1.599
6	Sumatera Selatan	5.399	4.602	797	724.863	542.039	182.824	2.075	615	518	97	7.857	5.867	1.990
7	Bengkulu	2.031	1.541	490	160.300	0	0	252	136	0	0	948	0	0
8	Lampung	4.548	2.810	1.738	824.595	0	0	995	629	0	0	5.623	0	0
9	Bangka Belitung	982	769	213	102.429	74.361	28.068	252	167	160	7	3.918	2.580	1.338
10	Kepulauan Riau	2.034	1.173	861	119.403	0	0	121	299	0	0	1.290	0	0
11	DKI Jakarta	7.775	5.289	2.486	874.818	524.891	349.927	952	1.126	676	450	11.065	7.904	3.162
12	Jawa Barat	24.954	14.817	10.137	5.476.857	3.766.714	1.710.143	5.263	3.341	2.553	788	50.974	34.309	16.665
13	Jawa Tengah	27.081	21.590	5.491	6.284.032	4.018.417	2.265.615	20.579	4.125	3.486	639	110.720	72.662	38.058
14	DI Yogyakarta	2.710	2.154	556	712.366	476.521	235.845	1.554	803	555	248	7.833	4.905	2.928
15	Jawa Timur	29.263	25.553	3.710	7.218.943	0	0	11.212	6.096	0	0	70.896	0	0
16	Banten	6.474	4.089	2.385	955.703	0	0	976	803	0	0	6.110	0	0
17	Bali	4.571	4.117	454	861.580	648.151	213.429	2.068	1.294	1.170	124	19.267	10.560	8.707
18	Nusa Tenggara Barat	3.773	3.272	501	660.907	466.784	194.123	1.047	741	645	96	8.368	5.710	2.658
19	Nusa Tenggara Timur	2.594	2.282	312	588.101	385.978	202.123	787	1.005	895	110	5.365	4.070	1.295
20	Kalimantan Barat	4.521	2.697	1.824	1.233.724	0	0	475	688	0	0	12.337	0	0
21	Kalimantan Tengah	2.834	2.217	617	319.992	250.723	69.269	486	303	243	60	2.176	1.599	577
22	Kalimantan Selatan	2.505	1.686	819	382.736	302.962	79.774	376	362	304	58	3.731	2.386	1.345
23	Kalimantan Timur	5.976	3.981	1.995	433.291	0	0	1.209	347	0	0	8.125	0	0
24	Sulawesi Utara	5.960	3.425	2.535	410.865	304.816	106.049	878	1.452	1.103	349	7.701	5.192	2.509
25	Sulawesi Tengah	2.070	1.306	764	258.881	170.899	87.982	373	437	336	101	2.673	1.592	1.081
26	Sulawesi Selatan	8.180	5.611	2.569	1.199.570	825.134	374.436	1.013	2.818	2.299	519	13.855	8.279	5.576
27	Sulawesi Tenggara	3.249	2.443	806	162.092	122.162	39.930	253	6	5	1	10.780	7.863	2.917
28	Gorontalo	1.060	671	389	130.331	78.689	51.642	202	295	237	58	2.019	1.307	712
29	Sulawesi Barat	869	632	237	80.184	54.268	25.916	443	313	262	51	4.406	2.585	1.821
30	Maluku	3.014	2.160	854	171.380	114.309	57.071	75	1.014	879	135	6.074	4.194	1.880
31	Papua	2.651	1.531	1.120	167.034	0	0	288	182	0	0	380	0	0
32	Maluku Utara	1.388	777	611	60.077	0	0	212	293	0	0	2.289	0	0
33	Papua Barat	1.105	446	659	57.241	51.271	5.970	109	91	89	2	896	805	91
	Total Accumulated	<b>200.808</b>	<b>142.387</b>	<b>58.421</b>	<b>34.685.145</b>			<b>62.572</b>	<b>34.619</b>			<b>417.891</b>		

\*\*) Preliminar – Source: Commercial and economic sector of Indonesia – Embassy of Indonesia in Peru



## INDONESIA

Handicraft cooperatives offer opportunities for women in Indonesia. This type of products is mostly introduced in the international markets by SMEs.

### Lepo Lorun: Indonesia



The Women's Weaver Cooperative, Lepo Loru (House of Weaving), is located in East Flores, Indonesia, an area renowned for its naturally-dyed ikat textiles. All their cloth is woven on a backstrap loom, is made of spun cotton yarn which is resist-dyed with natural plants. The ikat patterns are based on traditional motifs and takes years to develop the skill. With some start-up money from the Indonesian government, the Cooperative was able to purchase sewing machines and start a new product line of bags, scarves, garments and table runners. Alfonsa Horeng founded the Weaving School where training and business development takes place.

## JAPAN

Since May 2013, Japan has created a new national cooperative alliance: “Cooperatives Japan”. **Cooperatives Japan**, which consists of 24 national cooperative organizations, is engaged in various activities, including: organizing workshops, requesting to governments and providing cooperative information on line.

### IYC記念全国協議会サイト

文字の大きさ

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現在

協同組合とは

協同組合の社会貢献

国際協同組合年(IYC)=2012=に行われた活動

国際協同組合年について

取り組み内容

活動報告・総括

その他の取り組み

[トップページ](#) > [English](#)

●おすすめ情報

### Welcome to the Cooperatives Japan Website

## Retail Co-ops

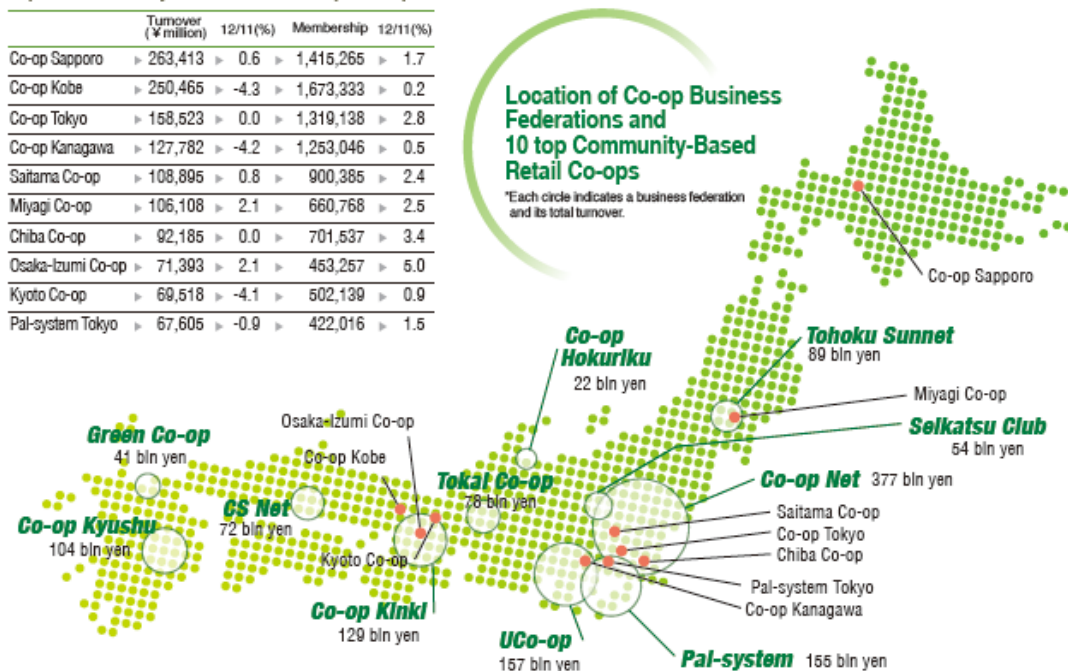
**Retail Co-ops** supply a wide range of consumer goods and services to its members.

There are five types of retail co-ops indicated by ●.

● **Community-Based Retail Co-ops** serve local residents through home delivery, store and catalog sales.

### Top 10 Community-Based Retail Co-ops in Japan

	Turnover (¥million)	12/11(%)	Membership	12/11(%)
Co-op Sapporo	263,413	0.6	1,415,265	1.7
Co-op Kobe	250,465	-4.3	1,673,333	0.2
Co-op Tokyo	168,523	0.0	1,319,138	2.8
Co-op Kanagawa	127,782	-4.2	1,253,046	0.5
Saitama Co-op	108,895	0.8	900,385	2.4
Miyagi Co-op	106,108	2.1	660,768	2.5
Chiba Co-op	92,185	0.0	701,537	3.4
Osaka-Izumi Co-op	71,393	2.1	453,257	5.0
Kyoto Co-op	69,518	-4.1	502,139	0.9
Pal-system Tokyo	67,605	-0.9	422,016	1.5



Source: JCCU

## KOREA

### Cooperatives Status by Sector: Korea Federation of Cooperatives 2010

Taype	Sector	Number of Union Offices	Number of Union Members (thousand persons)	Amount of Investment (million USD)
Primary Coop	Agriculture Cooperatives	1,171	2,448	5,742
	Fishery Cooperatives	92	159	299
	Forestry Cooperatives	142	485	81*
	Subtotal	1,405	3,092	6,122
Type 1 Coop (%)		11.1	10.2	4.6
Type 2 Coop.	Credit Cooperatives	963	5,579	3,083
	Community Credit Coop	1,501	19,448	3,528
	Four Major Living Coop -Dure Coop. -iCOOP -'Hansalim' Coop. -Happy Coop.	118	430	462
	Subtotal	2,582	25,457	7,072
Type 2 Coop (%)		20.5	83.6	54
Type 3 Coop.	Med Coop. (Health Coop.)	13	19	2.7
	Communal Childcare Coop.	71*	1,873*	-
	Association Corporation	5,271*	-	-
	Subtotal	5,355	1,892	2.7
Type 4 Coop.	Regional Self-support	2,967**	x	-
	Social Solidarity Enterprise	140	x	-
	Care Labor	158	x	-
	Subtotal	3,265	x	-
Type 3 & 4 Coop (%)		68.4	6.2	0
Total		12,607	30,086	13,197

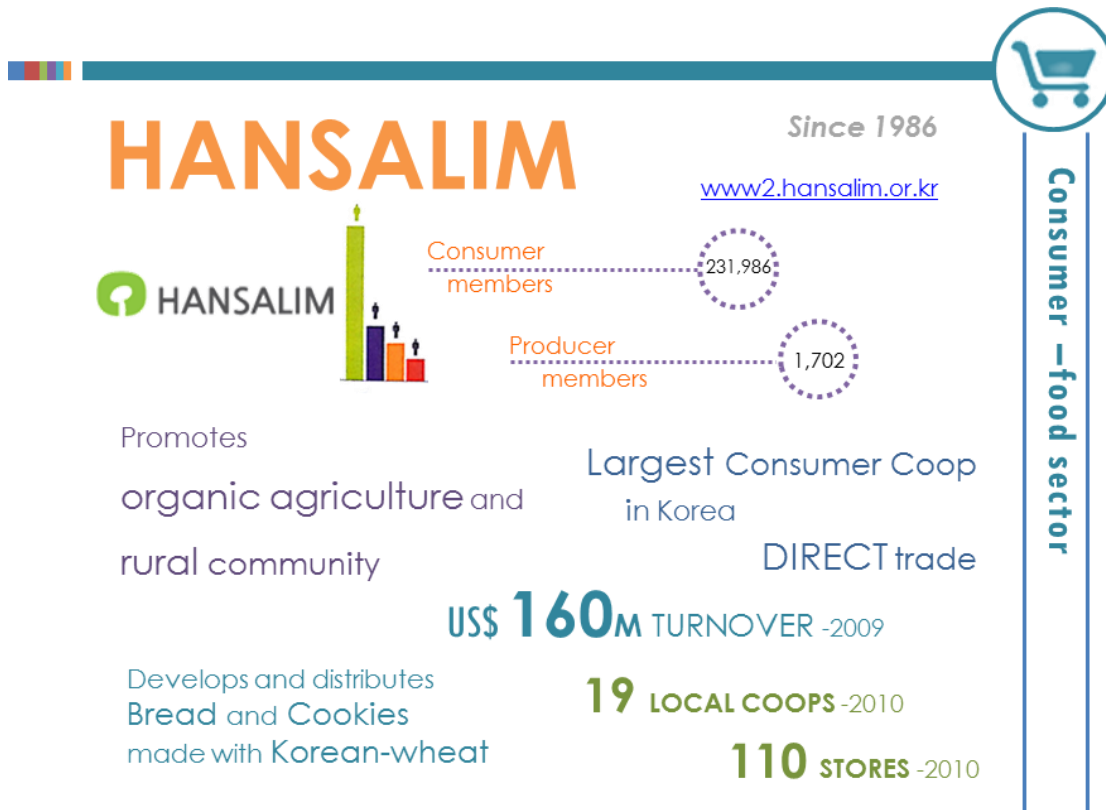
Notes: Asterisk (\*) represents the data in 2009; Double asterisk (\*\*) in 2008

"x" refers to the "non-applicable"; "-" unavailable

KRW1,000 per USD1.00

## KOREA: HANSALIM which means “Save all living things”

Hansalim is one of the largest consumers cooperatives in Korea promoting organic agriculture and food security. Its experience making business based on ecological ethics may be very useful for small producers in developing economies.



## MALAYSIA

## MALAYSIA: COOPERATIVE GENERAL STATISTICS BY CLUSTER ON 31 DECEMBER 2012

Cluster	Number of Cooperatives	Membership Number	Total Share/Fees (RM)	Total Assets (RM)	Total Turnover (RM)	Total Profits/Loss (RM)
Big	179	2,918,026	9,125,194,889	94,533,958,131	29,474,799,140	1,769,515,635
Medium	436	689,914	1,573,780,718	3,209,598,871	883,006,503	35,935,350
Small	1122	1,087,705	655,848,098	1,646,455,501	474,721,841	58,314,954
Micro	8350	2,333,070	357,246,885	1,016,179,028	263,174,815	25,914,577
<b>Total</b>	<b>10,087</b>	<b>7,028,715</b>	<b>11,712,070,590</b>	<b>100,406,191,531</b>	<b>31,095,702,299</b>	<b>1,889,680,516</b>

Source: Suruhanjaya Koperasi Malaysia - 2012

On 27 March 2014, 1.00 US\$ = 3.29 Malaysian ringgit(s), at an exchange rate of 3.2898 (using nominal rate)

## NEW ZEALAND

New Zealand was not involved in the research study but the case of the dairy cooperative FONTERRA is considered one of the most successful cases of cooperatives making business and alliances around the world but mainly in APEC Region i.e. Indonesia, Japan, and United States.

### Statistics   Analysis



#### Joint ventures help Fonterra's global expansion

Article | 21 Dec 2010

Fonterra, a co-operative owned by over 11,000 farmers in New Zealand (around 96% of all dairy farms in the country) was formed in 2001 from the merger of New Zealand Dairy Board, New Zealand Dairy Group and Kiwi Co-operative Dairies. In May 2010, it collected 14,746 mn litres of milk, some 89% of New Zealand's milk supply. It claims to be the world's leading exporter of dairy products, exporting a variety of ingredients and consumer goods around the world. As well as using New Zealand milk, it also has dairy farms across the world which it uses to supply local markets.

New Zealand accounts for the majority of the group's sales with over half of its NZ\$16,726 mn revenue coming from Fonterra's local market. Fonterra cite the US, Western Europe and Asian countries including Japan and Indonesia as key regions, however, the US still only accounts for 7% of its revenue.

Although Fonterra has its roots in New Zealand, and still continues to use milk predominantly from New Zealand dairy farms, it has become a global company through its export operations and its willingness to form joint ventures with strategic partners.

Unlike its main rivals, it hasn't got a track record of acquiring ingredient companies to expand its product range and regional scope - the few acquisitions it has made have targeted the consumer goods side of the business. On the one hand, this shows that it is focused on dairy ingredients and becoming experts in this area in its own right. However, on the other hand, this could mean that it is left behind - competitors such as Kerry Foods have grown significantly via acquisitions and has broadened its portfolio of ingredients as a result.

However, Fonterra has invested in partnerships and joint ventures, which have helped it expand into new regions including South and North America and South Africa. These include partnering with Nestlé, Dairy Farmers of America, Clover Industries Ltd and Friesland Campina. Its most recent expansion has been in acquiring Friesland Campina's pharmaceutical lactose business and manufacturing unit.

These joint ventures are win-win situations for both Fonterra and its partners. For example, its joint venture with Nestlé, called Dairy Partners of America, sees Fonterra providing the expertise in milk procurement and processing, while Nestlé provide its portfolio of brands, product development and distribution network.

For further insight, please contact John Madden - Head of Ingredients Research at Euromonitor International - on [john.madden@euromonitor.com](mailto:john.madden@euromonitor.com)

## PERU

Peru is increasing the participation of its SMEs in the global markets. Survey for government and cooperatives also reflected a relationship between SMEs and cooperatives basically to face exporting processes and supply chain in food sector.

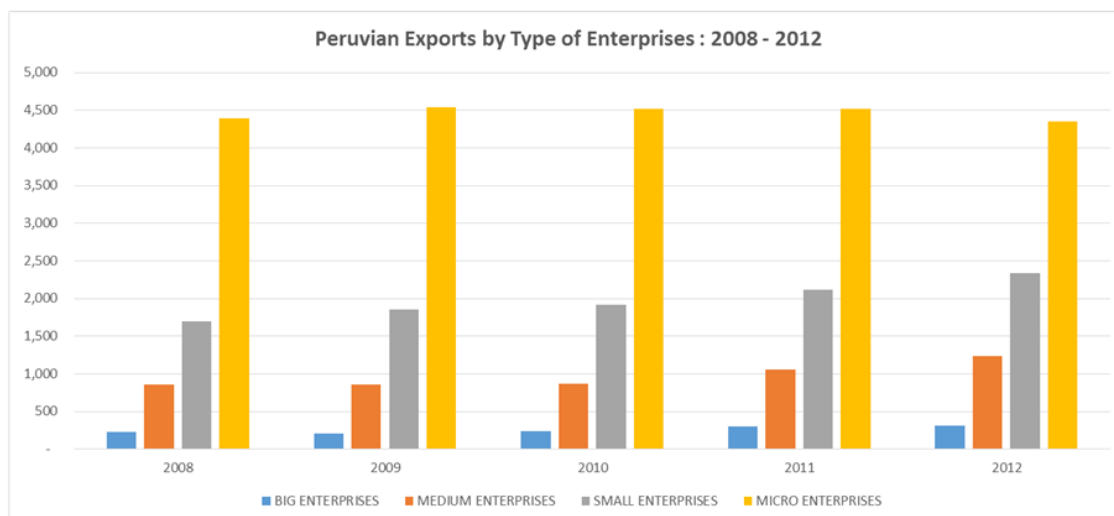
### Peru: SME Exports 2005 - 2012

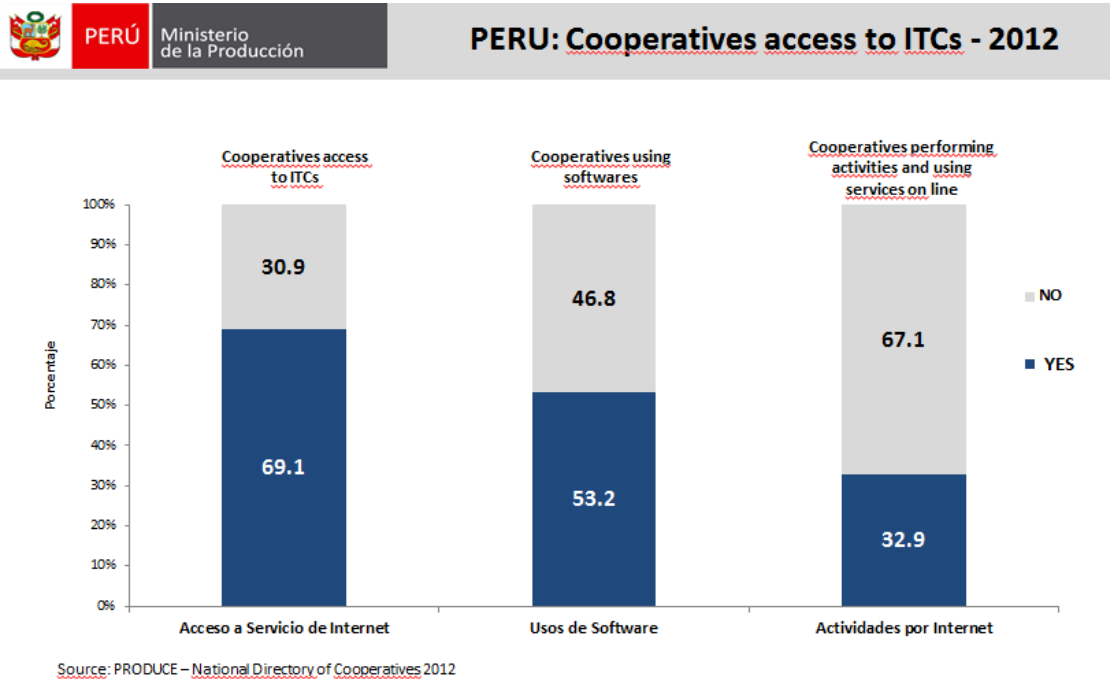
**PERUVIAN EXPORTS BY  
TYPE OF ENTERPRISE  
2000 - 2012**

TYPE	2005	2006	2007	2008	2009	2010	2011	2012	Var% 12/11	Part % 12
LARGE ENTERPRISES	168	191	202	224	208	240	299	309	3%	4%
MEDIUM ENTERPRISES	568	614	702	859	859	866	1,058	1,239	17%	15%
SMALL ENTERPRISES	1,246	1,424	1,505	1,701	1,853	1,914	2,113	2,332	10%	28%
MICRO ENTERPRISES	4,057	4,263	4,299	4,398	4,538	4,522	4,515	4,351	-4%	53%
<b>TOTAL</b>	<b>6,039</b>	<b>6,492</b>	<b>6,708</b>	<b>7,182</b>	<b>7,458</b>	<b>7,542</b>	<b>7,985</b>	<b>8,231</b>	<b>3%</b>	<b>100%</b>

Source: SUNAT -PROMPERU

### Peru: Exports 2008 - 2012





**PERU:** Handicraft cooperatives also offer opportunities for women in Peru. Fashion accessories made by Peruvian cooperatives compete in international fairs of fashion and textiles as PERUMODA ([www.perumoda.com](http://www.perumoda.com)). They also export in alliances with SMEs and MEs.

#### Center for Traditional Textiles of Cusco: Peru



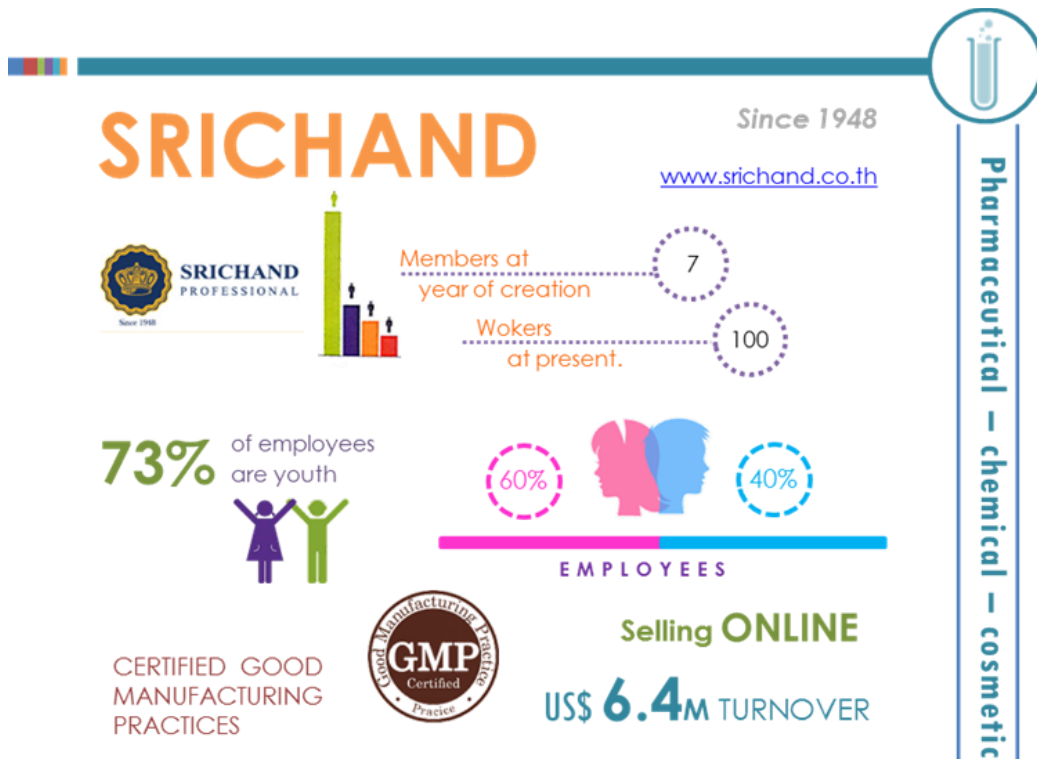
The Center for Traditional Textiles of Cusco (CTTC) was established as a Peruvian non-profit organization in 1996. Under the direction of its founder, Nilda Callañaupa, CTTC has grown into an exemplary cooperative. The objectives of the Center are to revive and continue the cultural heritage of textile creation, educate people to its tradition, and stimulate the production of traditional-based textiles as well as provide support and assistance to the communities of weavers with which the Center works. By researching and documenting techniques, styles, and designs, the Center works to preserve weaving traditions for future generations. Through the fairly-traded sales of products, the weavers now have sustainable incomes to obtain quality food, healthcare, and education; villagers can remain home with their families and not travel long distances to work in factory jobs or leave their villages permanently. The revitalization of weaving has fostered a new attitude and respect for the traditional craft of weaving and the people are now proud to wear their indigenous dress and call themselves weavers.

CTTC is located in Cusco on Avenida Sol and houses a museum, retail shop, administrative offices, educational center, village inventory, and dormitory for visiting village weavers. The Center currently works with over 600 weavers and their families from the nine communities of Acopia, Accha Alta, Chahuaytire, Chinchero, Mahuaypampa, Patabamba, Pitumarca, Sallac, and Santa Tomas. The Center also aims to research, document, and preserve traditional practices. It works to broaden and promote traditional textiles within Cusco and the world.



## THAILAND

SRICHAND participated in the workshop and seminar “Enhancing the competitiveness of SMEs through the innovative cooperative business model”. The cooperative shows a successful performance and it is looking for alliances with SMEs.



## VIET NAM

### Saigon Union of Trading Cooperatives in Retailing (Vietnam)

Local Company Profile | 24 Jun 2013

#### COMPETITIVE POSITIONING

- In 2012, Saigon Union of Trading Cooperatives accounted for almost 2% value share in retailing, ranking second after Saigon Jewelry.
- The company saw a steady share gain in value share in overall retailing during the review period, with this continuing into 2012. The company managed to increase current value sales by almost 30% in 2012 over the previous year despite facing strong competition from the growing number of independent small grocers. The company's share gain was largely due to ongoing outlet volume expansion, with the company opening an additional 52 outlets in 2012 to bring its total retail outlet volume to 239.
- The company offers three retailing brands: Co.opMart in supermarkets, Co.opStore in convenience stores, Co.op Food in food/drink/tobacco specialists and Ben Thanh Store in apparel specialist retailers. All four brands target low- to mid-income consumers by offering good quality products at affordable prices. The stores are also conveniently located in residential areas across the country in order to offer consumers easy access.
- In 2012, Co.opMart maintained its dominant position in supermarkets, accounting for 77% value share. Co.opMart was one of the first supermarket chain opened in Vietnam. As such, it managed to seize significant market share when competition was low. Over the years, Co.opMart expanded its market by keep opening more outlets and improving its product ranges and customer services. As such, the company managed to steadily gain share. Meanwhile Co.opStore ranked second in convenience stores after Family Mart with a value share of 24%, decreasing from 32% share in 2011. Co.opStore's decline in share was due to the fact that the chain did not received as much marketing as it should be. There was little promotion about the chain in 2012.
- Saigon Coop will continue to expand its network coverage at a rapid pace during the forecast period. By the end of 2015, Saigon Union of Trading Cooperatives plans to open an additional 100 outlets across Vietnam, thus supporting the rapid development of modern retailing channels in Vietnam. The company hopes that its chains of supermarkets, and convenience stores will slowly change consumers' habits and lifestyles in Vietnam and encourage a shift towards modern retail channels.

#### Summary 4 Saigon Union of Trading Cooperatives:

##### Competitive Position 2012

Channel	Retail value shareRank	
Retailing	1.6%	1
Modern Grocery Retailers	55.0%	1
Convenience Stores	24.3%	2
Supermarkets	76.6%	1
Food/Drink/Tobacco Specialists	24.1%	1
Apparel Specialist Retailers	0.2%	10

Source: Euromonitor International from company reports, company research, trade press, trade sources, trade interviews

Source: Euromonitor International - 2013

