

**Impacting Livelihoods:
A Story of ‘Successful’ Co-operatives**

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ABSTRACT

The primary goal of this paper is multi-pronged. To begin with, it appreciates the importance of co-operatives in creating and sustaining livelihood opportunities and being a vehicle of alleviating poverty and unemployment. The paper also aims to bring forth case studies of co-operatives which focus on livelihood generation. In this regard, three co-operatives have been studied: PRADAN's tasar farming or sericulture co-operatives in Bihar and Jharkhand, a courier co-operative in Tamil Nadu for unemployed youth and The Transport Co-operative Society of Koppa, Karnataka. Further, the paper suggests a rating model for co-operative societies.

The key finding of this paper, like its objective, is also multi-dimensional. Apart from underlining the importance of co-operatives as a means of generating livelihoods, the paper also stresses on the importance of rating co-operatives for the purpose of standardisation of these bodies, and attracting investment from capital markets.

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1. INTRODUCTION

Co-operatives create and maintain employment providing income; they are responsible for producing and supplying safe and quality food and services to their members, but also to the communities in which they operate. By putting the Co-operative Principles and ethics in practice they promote solidarity and tolerance, while as 'schools of democracy' they promote the rights of each individual - women and men. Co-operatives are socially conscious responding to the needs of their members whether it is to provide literacy or technical training, or to take action against the HIV/AIDS pandemic. Through their varied activities, co-operatives are in many countries significant social and economic actors in national economies, thus making not only personal development a reality, but contributing to the well-being of entire populations at the national level.

—The International Co-operative Alliance

One of the biggest challenges that nations in the developing world face is finding successful solutions to the problem of poverty by improving the human development condition and livelihoods. For instance, According to the Planning Commission, about 26% of Indians live below the poverty line and about 10% adults are involuntarily unemployed.. The poverty that such people experience has multiple and complex causes. They do not only lack basic resources but also

access to crucial inputs like credit, access to supply chains, technical support etc. that is vital to their lives and livelihoods.

The poor in developing countries are often at a competitive disadvantage in the wider economy because of persistent market, state and institutional failures. For example, small-scale traders may face difficulties in selling their small agricultural surpluses because of the prohibitively high transactions costs incurred in assembling, transporting and marketing these surpluses. They may be unable to access necessary public sector services needed to sustain and improve their livelihoods—services such as input supply, output marketing, credit provision, or conflict mediation—because the state's infrastructure is insufficiently responsive to their needs. Such economic agents may also face long-term difficulties in managing scarce common-pool resources because local socioeconomic institutions fail to emerge and establish commonly-accepted systems to govern the resources' use and to resolve conflicts.

There is a growing body of empirical evidence to suggest that co-operatives can help overcome these market, state and institutional failures (World Bank 2007; Chen et al. 2006). For example, co-operatives can help smallholders achieve scale economies in input provision and output marketing, thus reducing their costs of production and improving their bargaining power in the marketplace. Co-operatives can also lend voice to the needs of the poor and unorganised, and

thus improve their ability to demand public resources, resolve local conflicts, or manage their own development priorities (World Bank 2003; Berdegué 2001; Collion and Rondot 1998).

2. Co-operatives

2.1 Meaning

A co-operative can be defined as an autonomous association of persons who have voluntarily decided to unite to satisfy their common economic, social, and cultural needs. Their means for fulfilling these needs is through a jointly-owned and democratically-controlled enterprise called a co-operative¹.

The formation and structure of a co-operative can range from small-scale to multi-million dollar businesses, and these can be local, national or multi-national in character. According to the International Co-operative Alliance, co-operatives employ more than 100 million women and men and have more than 800 million individual members².

2.2 The Co-operative Movement

The co-operative movement began in the form of small and medium grassroots enterprises in Western Europe, North America and Japan in the middle of the nineteenth century. However, the Rochdale Pioneers are regarded as the

¹ A definition as per The International Co-operative Alliance

² Statistics as per The International Co-operative Alliance, 2005-06

prototype of the modern co-operative society and the founders of this movement.

According to the International Co-operative Alliance, in 1844, a group of 28 workers in the cotton mills of Rochdale, in the north of England setup the first modern co-operative business, the Rochdale Equitable Pioneers Society. The weavers faced miserable working conditions and low wages, and they could not afford the high prices of food and household goods. They decided that by pooling their scarce resources and working together they could access basic goods at a lower price. Initially, there were only four items for sale: flour, oatmeal, sugar and butter.

The Pioneers decided it was time consumers were treated with honesty, transparency and respect, that they should be able to share in the profits that their custom contributed to and that they should have a democratic right to have a say in the business. Every customer of the shop became a member and so had a true stake in the business. At first the co-op was open for only two nights a week, but within three months, business had grown so much that it was open five days a week.

The principles that underpinned their way of doing business are still accepted today as the foundations upon which all co-operatives operate. These principles

have been revised and updated, but remain essentially the same as those practiced in 1844.

In India, during the British rule, Nicholson, a British officer posted in India suggested the introduction of the Raiffersen model of German agricultural credit co-operatives in India. In response to this recommendation, the first Co-operative Society Act of 1904 was enacted. This act sought to enable the formation of "agricultural credit cooperatives" in rural India under government assistance. With the enactment of 1904 Act, Co-operatives were to get a direct legal identity since every agricultural cooperative was to be registered under this Act. The 1904 Act was repealed and replaced by 1912 Cooperative Societies Act which provided formation of co-operative societies other than credit. Under The 1919 Administrative Reforms Act, co-operatives were made a provincial subject making individual provinces responsible for co-operative development. In 1942, the British Government enacted the Multi-Unit Cooperative Societies Act to cover societies whose operations are extended to more than one state. The energy of the Indian freedom struggle gave birth to many new co-operatives in the post-independence era. Finally, in 1984, the Central Government enacted a comprehensive act known as Multi-State Cooperative Societies Act 1984, repealing the Act of 1942.

2.3 Co-operative Statistics

Today, more than 800 million people are members of co-operative societies. Co-operatives have created and maintained 100 million jobs worldwide, which is 20% more than what multinational enterprises have created. More importantly, it is worth going beyond the perception that co-operatives are formed and run as a means of economic and social development in third-world nations. Quite contrarily, in 2005-06, there were atleast thirty co-operatives in the United States of America which earned revenues of more than a billion dollars a year.

2.4 "The Co-operative Difference"

Co-operatives are enterprises that put people at the centre of their business and not capital. Co-operatives are business enterprises and thus can be defined in terms of three basic interests: ownership, control, and beneficiary. Only in the co-operative enterprise are all three interests vested directly in the hands of the user. Co-operatives put people at the heart of all their business. They follow a broader set of values than those associated purely with making a profit. Because co-operatives are owned and democratically-controlled by their members (individuals or groups and even capital enterprises) the decisions taken by co-operatives balance the need for profitability with the needs of their members and the wider interests of the community.

3.1 Case Study 1: PRADAN's (Professional Assistance for Development Action) Tasar Farming/Sericulture-based Livelihood Projects in Jharkhand & Bihar since 2003-04

To begin with, some of the key achievements of this project have been:

Income and Employment	
Number of Sustainable Livelihoods	10,000
Annual Income Potential	Rs. 100 million
Annual Income Earned in 2005-06	Rs. 65 million

Assets Created	
Natural Forests Rejuvenated and Maintained	10,000 hectares
Tasar Egg Production Units Promoted	360
Yarn Production Centres Created	56

The demand for tasar silk in India far exceeds supply. India imports tasar silk yarn from China and Korea to meet the demand. The value of tasar fabric trade in India is estimated to be Rs 450 crores. The domestic market accounts for nearly 60% of the trade.

A majority of tasar silkworm rearers are tribal people living in forest and forest fringe areas. Their primary livelihood is subsistence agriculture, which is mostly unable to provide them with food security. Rearing tasar silkworms is a traditional occupation for a majority of tasar rearers. Supplemental income from selling tasar cocoons helps them to meet basic consumption needs. Rearers spend an average of 60-90 days in rearing silkworms and in a good year, a household could earn about Rs 3,000 from a crop cycle using traditional methods.

PRADAN has worked on various elements of the tasar value chain to reduce uncertainty, increase productivity and help poor people retain more of the added value. Key objectives of this project are:

- Creating village-based supply of disease-free layings (DFLs) of the tasar moth
- Promoting scientific rearing practices to reduce diseases and mortality among silkworms

- Raising plantations of tasar host trees on privately owned wastelands
- Promoting tasar yarn production among women in poor and marginalized communities

These objectives have been met by:

- Collaborating with Central Silk Board for critical technological inputs, developing training modules and accessing mainstream finances.
- Promoting hamlet level groups of rearers called Tasar Vikas Samitis to ensure participation of rearers at every stage.
- Promoting village-based tasar egg production centres called grainages, owned and operated by someone in the village to earn a living.
- Promoting common facility centres in villages and a producers' company for women yarn producers.
- Demystifying technology and training cocoon and yarn producers to adopt improved technologies.
- Conducting motivational trainings to enable cocoon and yarn producers set higher goals.
- Building linkages for material inputs, credit and marketing.

Key outcomes:

- *Improved techniques of rearing tasar silkworms in forests and plantations of Bihar and Jharkhand have enabled poor tribal and backward communities to climb out of the depths of poverty.*
- *Reeling and spinning tasar yarn has enabled nearly two thousand women from tribal and other poor communities to overcome poverty*

3.2 Case Study 2: The Courier Co-operative of Tamil Nadu

This courier co-operative was established for providing gainful employment to unemployed youth. The co-operative is expected to generate direct employment for approximately 5,000 youth and indirect employment of the same magnitude. The co-operative has envisaged the need for courier services in three prime areas—finance, judiciary and administration; as these functions generally require very quick transmission and communication of information. In fact, an amendment was made in Civil Procedure Code in 2002 enabling courts to send notices through courier service authorized by the High Court to the petitioner and defendant. It is also intended to extend courier service to the general public, business organization, and educational institutions. The society's profits are to be shared by members and employees, thereby contributing to their economic development.

Thus, this courier co-operative represents a unique blend of two inescapable realities of modern times—the importance of prompt communication in modern affairs, and the vast population of unemployed youth in India.

Formation

The courier co-operative faced several tumbling blocks at the stage of its formation. An idea of Rajesh Raju—a student at The Natesan Institute of Co-operative Management—he saw the plight of some of his educated friends who were unemployed inspite of repeated attempt at seeking gainful employment.

In 1998, Raju performed an in-depth study on how to organize a co-operative and procedures to register the society, on the basis of his training in his Higher Diploma in Co-operative Management at the Natesan Institute of Co-operative Management. After several rounds of institutions like Deputy Registrar Office, District Industries Centre, and Registrar of Industrial Co-operatives, things remained as sketchy as before and he received no clear guidance on how to go ahead with registering his courier co-operative. Then he approached the Registrar of Co-operative Societies Office at Chennai where he was advised to prepare a model framework of the by-laws for the proposed society. He prepared the by-laws and presented the same to the RCS Office at Chennai. However, the documentation was rejected with any mention of further guidance or direction.

Later in 2004, some prospective members were assembled, who brainstormed and a plan of action was devised to register the society. This time around when the draft proposal was sent for registration, officers at the helm of affairs were new. The society was given a *challan* and asked to pay the registration fee. Rajesh Raju was asked to be the Chief Promoter of the society. The Department,

further, requested the society to deposit the required registration fee in the bank in the form of a suspense account. The receipt was further sent to the Deputy Registrar, who in turn appointed an Inspector to carry out a study on the prospects of the proposed co-operative and submit its report.

A meeting of The prospective member meeting was held, where the Inspector interviewed the members about the co-operative courier business and its profitability. The Inspector convinced with the answers given by the team of members recommended to the department for its registration. As the proposed society a special type the proposed by-law was sent to Deputy Registrar of Co-operative Societies. The Deputy Registrar after recognizing the proposed by-

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law sent to Registrar of Co-operative Societies for approval, which was approved and order was given.

The Tamil Nadu Youth Co-operative Courier Society was registered on 24.03.2006 and its area of operation is confined to the State of Tamil Nadu. Five-member board of directors was constituted and order is issued. On receiving the order the society conducted general body meeting. The board started the preparatory work for commencing the courier business. As part of that regional offices were opened at Chennai, Katpadi, Salem, Erode, Coimbatore, Villupuram, Tiruchi, Thanjavur, Madurai and Tirunelveli. As a second step the society interviewed and selected 500 franchises all over the state of Tamil Nadu. Out of

the 500 franchises selected ten were women self help groups. The main criterion for selection of franchises is that they are unemployed youth.

Objects of the Society

The Principal object of the society is securing profitable employment to the members of the society particularly youth by way of carrying on the entire work with the help of its members or through them.

To obtain courier contracts from government, government departments, government undertaking, public or private bodies or individuals or co-operative societies and other private parties and thereby provide employment to the members.

To own, hire or acquire buildings, vehicles, equipments for the purpose of carrying on the activities of the society

To undertake joint purchase of domestic and other requirements of members.

To encourage self help, mutual help and co-operation among the members.

Membership

Primary Membership

Any individual:

- a) who is over 18 years of age,
- b) who is competent to contract under section 11 of Indian Contract Act 1872,
- c) who possesses educational qualification of not less than Higher Secondary or equivalent, and
- d) who is residing within the area of operation.

At present 27 members are enrolled in the society

Associate Membership

Any individual including a paid officer, or servant of the society or the financing bank or company or self-help group or women's self-help groups or co-operative societies registered under the acts or trusts or private shop owners or STD booth owners or any trader or commission agents who is willing to perform the activities of the society may be admitted as an associate member of the society.

An associate member has to pay a nominal, non-refundable admission fee of Rs 5. However, an associate member is not entitled to participate in the general meeting of the society or in the elections to the board or to become an officer of the society.

Duties of the Members

- Members have to work for the society when called upon to do so.
- Members are made responsible for the up-keep of vehicles and other equipments, machinery required in transportation of the goods or postal covers and documents undertaken by the society.
- When sufficient members are not available to do any work with the society, the board may employ suitable persons other than the members to the extent necessary so as to execute such work and pay such remuneration.

Fund-Base of the Society

The authorized share capital of the Society is Rs 50 lakhs. The funds of the society comprise of share capital, deposits, entrance fees, donations, gifts, or other benefactions as approved by the Registrar. The 27 members started the society with each member contributing Rs.10,000 as share capital.

Management of the Society

Currently, the management of the co-operative is carried out by an interim board of five members, consisting of the President, Vice-President, and three Board of Directors of which two are women.

Business - Labour / Works

The board is empowered to contract services for the execution of government, public or private courier works on behalf of the society. The work is executed through or with the help of the members. Work is executed by employing the members on daily wages or on piecemeal basis or by giving sub-contracts to groups of members as decided by the board from time to time.

Ready Money Advance

The board is competent to make ready money advance to members individually or to groups of members. Such advances are recoverable out of the wages earned or out of the sum to be paid for the work done by the members concerned. A member applying for the ready money advance has to produce one or more sureties. The board with the approval of the Registrar frames the regulations governing the grant of such ready money advances.

Coverage

Tamil Nadu has been divided into 10 regions and regional managers were appointed. All posts from various parts of the region are brought to the regional offices and then interlinked. The consignments so received are sent to their

respective destinations within 24 hours. Initially, contracts are made between small courier companies for collection and transport until they become financially strong to have their own fleet of vehicles.

Automation

The courier society has incorporated technology in almost all its operations, with its services being fully computerized. Bar codes are assigned to all the courier consignments. Movement of consignments can be tracked online.

Future Growth Prospects

The society plans to extend the coverage of its courier service to the entire nation, and hopes to be an active contributor towards providing gainful employment to the country's unemployed youth.

3.3 Case Study 3: The Transport Co-operative Society, Chikmanglur, Karnataka.

Empowering Workers through Cooperative Initiative: A Case Study

Working class in India, especially the wage earners, have never been in the mainstream. In the changing market scenario they are looking desperately, not only to meet their economic requisites but also for specific social identity. They have been making constant efforts to come at par with other socially upward classes. Their aspirations for their children are not different from those of middle class, but they seldom have access to the means to realise them. Thus, they never enjoy social identity in the society. This has been the basic feature of wage earning class of our country. It is true that the social side, especially the general social well being of family is of greater significance than the wage cost. More than money, they yearn for a career path that will catapult them across the fence to a job, which sounds middle rung, if not actually middle class. Therefore, any worker organisation should have an objective of providing the minimum social facilities, requisites and social identity to the working class.

It is in this context that the Workers Cooperatives attain greater significance. Whether in the field of production or service, these organisations are centred around the well being of the workers. It is rather disheartening that such vital organisations have been downgraded both in concept and practice in our setting. Most of them do not have a fair standing as an economic enterprise and hence they are incapable of attending to the social side of the member community. There are however, exceptions to this general trend. One such case is of the Transport Cooperative Society of Koppa, which has made a mark as an economic

enterprise and more importantly an organisation that guarantees social status and identity to its member workers.

THE GENESIS

That was a windswept Friday evening on 8th March 1991 and the future of hundreds of workers was carved with toil and determination. Outside the society a crowd of townsfolk had gathered; some just to gawp, others to make fun and to jeer, and a few to watch with a mixture of anxiety and pride - mainly anxiety! Inside, as the shutters were taken down from broken windows of the rented building, a humble society had begun operating two buses for the first time.

So it was that the first little Transport Co-operative Society, Koppa began in 1991. It may have seemed quite insignificant at the time, but it is no exaggeration to say that what happened when the former mechanic Chikke Gowda and other Pioneers set up a Society changed the course of history for hundreds of retrenched transport workers. Now, 10 years later, the Co-operative Transport Society celebrated the decennial of that event and the aim is to show that Co-operatives are as relevant in this millennium as they ever have been.

The case of Transport Cooperative Society, Koppa throws open a new area of inquiry in industrial relations. In March 1991, the Shankar Transport Company (Private) Limited, a well established private transport company of Koppa, in Chikkamagalur District of Karnataka, dismissed its employees, following their

demand for a hike in wages. The workers then took the initiative to set up their own transport service. Thus, the Transport Cooperative Society was started in March 1991, with the sole aim of providing livelihoods to the suspended employees. The workers starting a transport cooperative society was an attempt to protect jobs and it undoubtedly reflected a rational accommodation within the constraints of the existing socio political and economic milieu. Initially the workers of Shankar Transport Company explored all possible avenues to get the transport unit run by the existing management. They sought the intervention of the Government and political leaders, but their labour revolt failed to assume political overtones. Finally, the shutdown, a devastating experience, compelled them to constitute action committees to start their own transport cooperative society. A lockout and then a challenging proposal by the then management to take a few buses and run on their own, compelled the workforce to a decisive stand. Thus the Transport Cooperative Society started its operations in the selected routes of Malanadu regions from 8th March 1991.

When the Transport Cooperative Society started functioning with two buses, nobody including those who started it believed that it would be what it is today. The private company thought that after some time the workers would come back and surrender. The general public thought that the whole exercise might just help a few individuals. But the collective and committed effort of the workers, proved to be much superior to all this. The social networks, trusts and values deep-rooted in the people of India held them together. In ten years the

Transport Cooperative is an organisation with a fleet of 60 buses, more than 300 employees and ironically the private transport house that used to exploit them, has closed its operations, not being able to put up with the collective - productive and competitive - might of the workers. But this part of the story, could at best be exiting. What is significant is the change among the workers individually and in their families in terms of access to various socio economic privilege.

4.1 The 'Livelihood Co-operatives' Rating Model

Define the purpose of the model. Describe it in simple terms before getting into technicalities

Comment [s1]: rephrase

This is a 6-stage rating model of which 4 stages are evaluative stage.

Assuming that we assign equal weights to each stage for expositional simplicity, each stage yields a total score of 25 points, adding up to 100.

Thus, a co-operative being rated under this model will be marked on 100.

Each of these stages pertain to specific functions and desired organisational states of a co-operative such as organisational discipline, financial strength, future growth prospects, impact on livelihoods etc. A number of sub-criteria are judged under each of these stages, as explained below.

In addition, to streamline the model, it is proposed that a standard system of ranking co-operatives on scores of 0, 1, 3 and 5 be adopted. This can be executed as follows: for instance, when considering the criteria of members' attendance at meetings, attendance of less than 33% could be assigned 1, between 33-67% attendance could be assigned 3, and attendance of more than 67% can be assigned a score of 5. Of course, under exceptional circumstances, the analyst is free to consider scores other than those suggested here.

As far as the assignment of weights is concerned, the model proposed here has been deliberately kept as equally weighted on all parameters, and it is hoped that a competent analyst will assign relevant weights depending on the

main criteria the co-operative is being judged upon. For instance, if livelihood creation is a prime focus of the rating exercise, a suitably higher weight to the parameter 'impacting livelihoods' would help in this regard.

On the basis of the aggregated score, score bands of <20, 20-60 and >60 have been proposed; the bands respectively corresponding to grade A, B or C co-operatives.

[Explain each stage](#)

Stage 1: Collection of Basic Information of the Client

- i. Name of the Co-operative:
- ii. Name of the Village(s)/Block(s)
- iii. Date of Constitution
- iv. Number of Members
- v. Name of lender bank(s)/SHG(s)
- vi. Nature of the co-operative

Stage 2: Purpose/Vision

- i. Economic Objective of Constitution
- ii. Social Objective of Constitution
- iii. Any other stated/implied objective(s)
- iv. Whether majority of the sample of members were able to articulate these objectives

Stage 3: Organisational Model/Democracy Index

- No. of Meetings (in last six months) (Meet.)
- Periodic Elections and Perceived Fairness (Elec.)
- Attendance of Members at Meetings (Attend.)
- Decision Making (Degree of Decentralisation) (DM)
- Quality of Documentation (Member's Pass Book, Performance Record, Minutes Book) (Doc.)

Stage 4: Financial Data

- Collections/Total Due=Repayment Rate (Repay.)
- Track Record with Lenders (TRL)
- Interest rate charged (i-rate)
- Quality of Book-Keeping (Cash book, Ledger) (Bk.)
- Percentage of Capital Invested from Savings (rather than credit) (Sv./Cr.)

Stage 5: Impacting Livelihoods

- Asset Augmentation (Proxy for Income Augmentation) (AA)
- No. of Livelihoods Generated (# of L.)
- No. of Livelihoods Generated among Women (Women)
- Augmentation in Education and Health Status (Edu./Nut.)
- Community Activities Undertaken (HIV Awareness, Edu. Of Girl-child etc.)
(C. Act.)

Stage 6: Growth Prospects and Sustainability

- External Linkages (Tie-ups/Coalition Professional Bodies, Fin. Instis., Grants)
(Ex. L.)

- Scope for Future Tie-ups (FT)
- Scope for Capital & Membership Expansion (Cap. Ex.)
- Scope for Efficiency Gains (Eff. G)
- Degree of Self-Reliance (SR)

Org. Discipline	Meet. 0,1,3,5	Elec. 0,1,3,5	Attend. 0,1,3,5	DM 0,1,3,5	Doc. 0,1,3,5	0-25
Financial Strength	Repay.	TRL	I-rate	BK	Sv/Cr	Do
IL	AA	# of L	Women	Edu/Nut.	C Actv.	Do
GPS	ExL	Cap.Ex	FT	Eff.G	SR	Do

A Performance Matrix

Key for grading:

<20: Grade C

20-60: Grade B

>60: Grade A

[Talk about how it will be filled. When is self-assessment feasible? What are the basic requirements for it?](#)

5. Conclusion

First, the paper concludes the importance of co-operatives in creating and sustaining livelihood opportunities. As elaborated upon earlier, nations around the world especially in the developing countries, continuously face the challenge of emerging with innovative solutions for poverty and unemployment alleviation. Co-operatives serve this purpose by means of rendering a collective and strengthened bargaining power for dispersed and small producers.

However, it is also worth mentioning here that co-operatives which amalgamate ground realities of local communities fair better in generating livelihood options. In that sense, co-operatives which merge components of efficient resource utilisation and local poverty and unemployment status in their design and structure constitute better 'livelihood co-operative' models.

Further, this paper suggests a rating model for co-operatives. A very miniscule percentage of co-operatives get themselves regularly rated and audited. In fact, very many co-operatives practise poor governance rules and book-keeping exercises. Thus, rating models that examine organisational

Comment [s2]: rephrase

techniques, financial health, livelihood impact and growth prospects will, it is ascertained, will tend co-operatives towards a more standardised format and way of functioning.

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