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07726

UNITED NATIONS INDUSTRIAL  
DEVELOPMENT ORGANIZATION

Distr.  
LIMITED

UNIDO/EX.27  
25 October 1977

ORIGINAL: ENGLISH

THE ROLE OF INDUSTRIAL CO-OPERATIVES IN THE ACHIEVEMENT  
OF NATIONAL GOALS OF ECONOMIC AND SOCIAL DEVELOPMENT  
WITH PARTICULAR EMPHASIS ON THE INDUSTRIALIZATION  
PROCESS IN DEVELOPING COUNTRIES \*

by

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id.77-7622

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## I Introduction

Contemporary science devotes a lot of attention to the problem of finding a way out of backwardness. That problem is also the subject of discussions, carried on mainly in the United Nations Organization and its specialized agencies. The general opinion prevails that one of the best approaches to that problem is to be found in an industrialization of developing countries.

Industrialization, as the main way out of backwardness, was affirmed in the final document of the Second General Conference of UNIDO, adopted at Lima in 1975. The Plan of Action, included in part B of the Lima Declaration points out the following element that should be emphasized in the industrialization policy in regard to developing countries:

"Encouragement and support of small, medium-scale and rural industry and industries which fulfil the basic needs of the population and which contribute to the integration of different sectors of economy; and to this end, due attention should also be given to the industrial cooperatives as means of mobilizing the local human, natural and financial resources for the achievement of national objectives of economic growth

and social developments. <sup>1/</sup>

The development of cooperatives in the field of production can be very significant because the main aim of development should be the achievement of increased production and this can often be easily obtained in small enterprises established, because of a lack of outside means, on the basis of an integration of local, dispersed human and material resources.

One should stress, however, that the cooperative form should be considered, in all development concepts, as one of the developmental options, alongside to others.

It is not the aim of this paper to examine the cooperative form of industrial development from the point of view of structure and the rate of industrial development and the property relations in a given country.

These matters are conditioned, first of all, by the existing socio-economic system of a country.

The present paper concentrates on the adaptability of industrial cooperative forms for the development of small-scale industry and the increase of its share in the acceleration of the social and economic development in developing countries.

The form of work cooperatives can be used in the organization of industrial enterprises of various sizes, as evidenced by  
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<sup>1/</sup> Lima Declaration, op. cit. p.11 p.g.



examples existing in both developed and developing countries with different political and social structures.

In planned economy, the main social and economic functions of work cooperatives should consist in the organization of small-scale industry and services.

The concentration of work cooperative activities on small-scale industry is determined by the following reasons:

- a/ the self-government system of cooperative management stimulates the initiatives of members and is most effective in small and medium enterprises.
- b/ the genuine influence of members on the activities of a cooperative, which is a result of the share of members' funds in the cooperative property, is very difficult in large enterprises, particularly those that require large capital resources.
- c/ in order to maintain the characteristic features of a work cooperative it is necessary to restrict it to parametric planning.

The range, however, of parametric planning is limited and its application in large-scale industry that has to fulfil the realization of basic directions of the economic policy of a country, is impossible. On the other hand, in small-scale industry, the parametric system is more applicable in determining the activity direction of cooperatives in conformity with the interests of national economy.

d/ it appears, from the very nature of work cooperatives, that the capital formation is not their essential aim. Instead, their main aim is to create employment as well as economic and social advantages for their members. For this reason, the cooperative organizational form is not typical for large-scale industry that tends to create considerable capital accumulations in order to finance a dynamic industrialization of a country and establish its social and economic infrastructure.

In fact, in a free market economy work cooperative activities need not be strictly limited to small-scale industry. The form of work cooperatives can be applied in large industrial plants, but only in a limited range and particular cases, because both the self-government management system and the determined share of members' funds can only be ensured when a plant does not exceed a certain size. Beyond a certain size, the characteristic features of a work cooperative lose their value.

The present paper concentrates also on the forms of international cooperation aiming at a promotion of industrial cooperatives in developing countries.

## II The Role of Small-scale Industry in the Social and Economic Development of a Country.

### 1/ The dependence of the role of small-scale industry on the level of industrialization.

Concentration processes that take place in all countries and in many fields of economic activities are a testimony

of the decisive role of large enterprises in the economic development of particular countries. However, that role of large enterprises is decisive in cases when it is possible to apply superior technologies and it is a matter of mass production. There are, however, wide economic fields in which small enterprises are their necessary supplement.

Mass production in large-scale industry is unable to ensure an equilibrium in respective markets; small series are also necessary and these can be produced much cheaper by small-scale industry which is also capable of more flexible and more rapid reaction to the changing trends on the market.

In addition, specialization, a very important condition of economic efficiency in large enterprises, can be successfully pursued by them wherever the opportunities for cooperation with the small-scale industry exist.

That important role of small-scale industry, which can be organized in the form of work cooperatives, is varied depending on the development level of productive forces. This results from the adoption of the principle that small-scale industry grows when integrated in the whole national economy.

At a stage when developed industry is lacking, small-scale industry production can fill the gap caused by that absence. In other words, small industry production is then of a substitutional character.

At a stage of a rapidly increasing industrialization, a part of that production loses its substitutional character and

becomes complementary or cooperative. At such periods, small-scale industry in its relations with the large-scale industry, capable of a rapid and relatively cheaper way of creating work stands, can be an effective instrument of employment policy.

At the stage of high industrialization and consequently in an increasingly affluent society, the activities of small-scale industry, including work cooperatives are indispensable in order to satisfy the increasingly diversified demands; it is also necessary for the organization of various services, demand for which grows faster than production, and for a cooperation with large-scale industry.

2/ The creation of work stands by small-scale industry in towns and the checking of a migration of the rural population to towns.

A large part of small industry production is based on simple technologies that require small capital outlays: it is a production integrated, to a large extent, in the cottage industry system. Because of the character of its production, the cost of a work stand is much smaller there than in the large-scale industry and production can be started relatively faster.

In developing countries this type of production can be made use of in order to reduce unemployment in towns, often caused by a violent flow of population from villages to towns that are unprepared to absorb such an amount of manpower.

A solution of that problem can be sought concurrently by developing small-scale industry in rural areas, thus limiting even partially, a violent flow of people from villages to towns, and by establishing small-scale industries and services in towns.

### 3/ Activating functions of small-scale industry

The production type and size of small industrial enterprises enable them to carry on a number of activating functions. They affect some definite groups of people and the use of local raw materials.

a/ Territorial activation. Industrial concentration brings about faster economic activity in industrial agglomeration centres, but is also the reason why a number of areas, towns and settlements are excluded from it and have no possibilities to give employment to the local population. Small-scale industry can be of great help in the solution of such problems.

Every town or small settlement has the necessary conditions for the establishment of small productive or service enterprises.

In cases of a lack of such conditions in some areas, even for the existence of small industrial plants, there is always the possibility of organizing cottage industry workers.

While the character of large towns and big industrial agglomerations is determined by large industry, in remaining regions that character will be determined by small-scale industry, often organized in the form of work cooperatives,

and will be decisive for their sustained development.

b/ Social and vocational activation. The type of organization of large industry requires the application of equivalent or very similar labour productivity. There are, however, groups of people like some women, invalids or persons unfit for full-time work, who are unable to work in that industry.

The type of technical equipment in small industrial plants and the system of production organization, integrated, to a large extent, with the cottage industry, make it possible to employ these groups of people. This is important both from the economic and social points of view.

In other words, the activating functions of small industry consist in the creation of work stands in places deprived of large industry, or in the establishment of work stands for people unable to work in large industry.

c/ Use of local raw materials. The type of machinery used in small industrial plants makes it often possible to process raw materials that cannot be used by the large-scale industry. It often happens that highly efficient machinery in large industry and the organization of production based on a full or highly developed automation, prevent the processing of certain kinds of raw materials. This may be in the case of raw materials which, because of the excessive transport costs, could not be delivered to distant large industry's plants.

Small plants can be dispersed all over a country and are therefore able to use local raw materials and other ones that are of no interest for large industry. They can thus perform a function of great significance for any economy, particularly important in developing countries.

4/ Participation of small industry in an appropriate distribution of productive forces.

In the distribution of industry one observes either a location determined by geographic conditions, like in the case of mines, harbours, etc., a location partially so selected, for example for industries using a lot of water or large quantities of raw materials, finally, a quite free location. In the case of small industry one observes, as a rule, a free location. The only conditions to be considered are the existing infrastructure and the presence of a free labour force. Local raw materials can also be a reason.

A majority of towns and places outside industrial agglomeration centres will always have the necessary conditions for the development of small industry based on productions involving a small capital investment.

Thus, small plants can be located in places with a surplus of labour, in areas where the monostructure of key industry offers conditions for the development of small plants in different lines, or where there will be possibilities of a cooperation with large industry.

In that manner, work cooperatives can play a definite role in an appropriate distribution of productive forces.

III Forms of Productive Work Cooperatives Appropriate to  
the Development of Small-scale Industry

5/ Characteristic features that decide on the usefulness of  
the work cooperative model in small-scale industry  
organization

Practice in many countries, with different political systems and on various industrialization levels, indicates that the form of work cooperatives, because of its specific traits, is most useful for small-scale industrial enterprises.

Small-scale industry should feature a great mobility and flexibility in a rapid adaptation to changing market demands. The management system, based on self-government, makes it possible to liberate broad initiatives of members. At the same time, in small-scale industry, the risks involved in connection with frequent changes in the production profile and numerous cases of marketing new products are greater than in large industry. For this reason, the system that liberates initiatives must go hand in hand with a system that would ensure prudence. This is achieved by the responsibility of members for possible losses.

An essential principle in small-scale industry is the requirement that own funds should have the greatest possible share in the financing of activities. That share depends, of course, to a great extent of the capital requirements of production, but it has a great influence on members who have to feel their close bond with their cooperative. It also affects the shaping of costs in a cooperative and possibilities of obtaining credits for it.



The system of accumulating financial means is adapted to the possibilities of a cooperative's members; it may be applied at the moment of accepting members or later, during their work in the cooperative.

In accumulating dispersed financial means, work cooperatives make use of techniques inaccessible for small private producers, that would also allow for the erection of small and medium workshops.

Small and medium units, organized in cooperative forms, develop a sense of responsibility among its members, increase social consciousness and improve their vocational and cultural levels. Such enterprises operate not only as productive units but are also centres of new techniques and management training.

The desertion of qualified cadres to enterprises at a higher concentration level is a difficult problem which small industry has to cope with. An inclusion of members in the self-government management system, in the social care system and in cultural and educational activities can have an influence on increasing stability in employment, particularly as far as members are concerned.

6/ Work cooperatives as organizers of small-scale industry and a link with employment policy

a/ The establishment of new work stands

Work cooperatives can find their place both in small-scale and large industry. Examples can be found in developed as well as in developing countries. However,

the specific features of work cooperatives are the reason that they assert themselves most effectively in the field of small-scale industry. By organizing medium and small workshops work cooperatives cannot only develop small-scale industry but also carry out a number of activating functions, typical of small-scale industry.

The development of small-scale industry and services in towns by work cooperatives could pave the way to a vocational activation of the immigratory population. It is certainly difficult to bring into practice the potential possibilities in that matter, both because of a lack of vocational qualification among those people, a lack of an organization that would help in the start of new cooperatives, as well as a lack of capital since most of the new immigrants are quite destitute.

A Further cooperative organization should help second degree organizations associating basic cooperatives in organizing new work cooperatives and training, indispensable during the first production stages. Further training should take place during production processes. There is also a possibility of starting with simple, not complicated production and, as staff training proceeds, continue by changing the production profile.

The form of work cooperatives is very suitable for the accumulation of dispersed financial means. In cases, however, of activating functions, consisting in the creation of new work stands for definite groups of people and in some definite areas, we will not always deal with people with means at their

disposal. In such cases one should apply a system of accumulating members' share funds during their work in a cooperative.

b/ Development of cottage industry

In many, both developed and developing countries, where there are no possibilities of building even a small productive plant, employment problems can be solved by the organization of cottage industry. The cottage industry system can be efficient when it is rationally organized. The specific traits of work cooperatives create the necessary conditions for a rational organization of cottage industry. Work cooperatives are able to supply cottage workers with semi-finished products and patterns, worked out in cooperative workshops, and entrust cottage workers with jobs that involve simple operations or that require plenty of manual work. Such jobs should be designed in a manner that would enable a person without any qualifications to carry out the work, after a short training by the cooperative. It is also possible to organize work cooperatives, composed of cottage workers only. This is the quickest and oldest way of starting cottage industry production. One can also organize cottage workers' cooperatives in which members produce finished articles. However, in most cases of cottage industry production it is necessary to look for forms that would allow for a division of work and that is possible in the forms of organized cooperative production.

The organization of cottage industry aims at the creation of work stands either for people unable to find work because of

a lack of industry in their region, or those who cannot leave their homes and are, therefore, unavailable for work in factories.

Concurrently with establishing work stands, cottage industry can train people for work in future industries. A linking of the production profile, in cottage industry, with existing creative traditions in a given region will accelerate the training process of cottage workers during their work. It is, however, often worth while to select the production profile in cottage industry from the angle of future industrial investments.

The cottage industry system all over the world has a disadvantage, because it does not facilitate the improvement of the cultural level and social consciousness of the workers. Because cottage workers work at home it is difficult to create social bonds between them. Work cooperatives, in the framework of their social and self-government activities could accelerate these processes.

A cottage worker in a cooperative is a member, who participates in the sharing of profits and is entitled to social care. This bears on an acceleration of integration processes that are certainly very limited when compared with those in productive workshops and proceed much slower.

An appropriate choice of the production profile in cottage industry and the assistance extended to it in work organization improve work efficiency and may become a reason to consider this system to be not only socially important but also an efficient economic instrument capable of staying on the market.

c/ The development of folk art and artistic handicrafts

All places with existing local creative traditions have particularly appropriate conditions for the establishment of cottage industry. In many cases such traditions are connected with folk art, and have a unique character, based on local folklore. The organization of activities in the form of a work cooperative can be of great importance: it can lead to the creation of work stands and give a production much appreciated on the home market, even more so abroad, thus being a contribution to national culture.

d/ Work stands and additional employment for the village population

The organization of cottage industry, the application of local creative traditions and the development of folk art take often place in rural areas in which people tend to migrate to towns. The organization, by work cooperatives, of small industrial plants, of cottage industry leading to additional employment for agricultural workers can partially check that mass migration.

IV Factors decisive for the development of work cooperatives

7/ Choice of productive programme

In addition to generally recognized factors deciding on the efficiency of enterprises, several specific factors play a particular role in work cooperatives which run small-scale and medium plants, and have a significant influence on their efficiency. Large industry is the leader in the whole system.

To begin with, the productive programme of a work cooperative must not provide for a duplication of large industry production because such a policy must unavoidably lead to a preponderance of higher concentrated production.

An appropriate choice of the production programme must affect the production character and its destination. In connection with the character of small-scale industry, output must embrace assortments, by no means produced by large industry. This field covers an immense number of small articles of first necessity, not mass-produced, but of decisive importance for a better supply of the market. It includes mainly goods in the lines of clothing, home furnishings, tourism, articles for children and youngsters, fashion products and hundreds of miscellaneous trifles made of metal, wood or plastics. A separate group of products, typical for small cooperative workshops, is composed of artistic and folk articles linked with local folkloristic productive traditions and local raw materials.

In cases when small industry produces articles similar to large industry production, such articles must be definitely different in regard to the length of series produced, quality of finish and their adaption to customers' tastes.

Small-scale industry can supplement key industry production with the same assortments only at a time when large industry is insufficiently developed and imports are unprofitable. One has to consider, however, that after an expansion of large industry, a similar production of small-scale industry can be

forced out of the market. This must be taken into account when working out feasibility studies and investment plans. As far as destination is concerned production must mainly concentrate on consumer goods. This leads to an enrichment of the home market and offers export possibilities of advancement on foreign markets. A cooperation with large industry is certainly typical of small-scale industry, but it is important that it should take place in a field typical for the latter, covering the production of details required by large plants but beyond their specialized production range.

8/ Supplies of machinery typical of small-scale industry.

Choice of technology and operation scale.

A comparison of the capital cost of a single work stand in large industry with the same in small cooperatives indicates, as a rule, a great difference in favour of small-scale industry. It is mainly a result of a low specialization and automation of large industry, and is also influenced by the fact that this industry often expands the existing infrastructure at a very high cost. A typical equipment in small-scale industry is based on more all-purpose machinery, supplemented by a definite number of special finishing machines. This type of equipment makes it possible to frequently change series thus offering small-scale industry great mobility and flexibility. It also allows the application of transitional technologies, often in simple, not complicated productive processes.

Practice, in many countries, indicates that a number of articles coming from this small-scale industry production features a high degree of specialization in certain narrow assortments

and such advantages lead to agreements on cooperation with large industry.

9/ Advisory services and the operation of common establishments

Discussions on the advantages of concentration, besides benefits derived from large-scale production, also mention matters such as access to studies, to new structural and technological solutions, modern marketing methods, modern management systems, based on up-to-date computers and information sources, a direct approach to large raw material supplies, etc.

A steady concentration process is carried on in order to improve the efficiency of work cooperative activities. However, work cooperative enterprises, belonging to the small-scale industry field, avail themselves, as a rule, of the local infrastructure, particularly of the local labour force and their concentration degree is therefore limited. Moreover, the specific traits of work cooperatives are most favourably reflected in small-scale and medium enterprises. These, however, are unable to organize, in their own capacity, a number of establishments that of decisive importance for efficiency, Developing countries lack the necessary cadres and this makes the establishment of cooperatives difficult.

Under these circumstances, there appears an acute necessity of organizing an advisory service for cooperatives and the operation of common establishments for the benefit of a number of cooperatives. This is particularly important in matters like design centres, research institutes, construction



offices, tool-rooms, pattern shops, supply bases, wholesale shops and advertising offices. It is also often expedient to operate common accounting and book-keeping offices.

Small-scale and medium enterprises that are unable to get assistance in market studies, in working out new designs and structural solutions, followed by prototype production, and have no help in securing raw materials and the sale of their products, are liable to meet unsurmountable difficulties in their own capacity.

It is characteristic of a number of countries that small-scale industries develop at the cost of a high "mortality" of enterprises. A large percentage of small enterprises go bankrupt and new ones take their place. In order to avoid such undesirable events, it is necessary to organize advisory services for cooperatives and operate certain common establishments.

Second degree organizations, in the form of associations and federations are a very convenient form of such activities, but can also be established as societies or have another legal status.

At a low concentration stage and a lack of expert cadres, the problem of securing additional services for cooperatives and other forms of assistance may be an indispensable condition of a wider development.

10/ Provision of qualified cadres. Training facilities in production.

Both the development of work cooperatives and production quality depend, for their efficient progress, to a great extent on the recruitment of qualified cadres.

Developing countries have such great resources of unutilized labour at their disposal both because of a lack of infrastructure and a considerable absence of vocational qualifications, whereas a development of work cooperatives depends, to a great extent on an inflow of qualified cadres.

Youngsters after gaining vocational qualifications go generally to work in highly concentrated industry, producing on superior technologies. Work cooperatives are often obliged to develop their activities in regions quite deprived of qualified cadres. In such conditions it is very essential to make use of the qualifications of the local people, gained during work on local traditional productions.

In the situation of developing countries, one of the shortest and most efficient ways is in-shop training where a transfer from the most simple operations to increasingly difficult ones is linked with an introduction of more and more elaborate production technologies.

In-shop training as well as other forms of vocational advancement should take place in work cooperatives with the assistance of second degree organizations.

11/ Cooperation between industrial cooperatives and other types of cooperatives such as consumer cooperatives, agricultural cooperatives, etc.

One of the main obstacles in the way of a wide development of work cooperatives consists of difficulties in the sales of articles produced by them.

The best situation is observed in cases when small and medium enterprises are able to sell their products directly to retail shops thus avoiding the wholesaler's margin of profit. This is, however, difficult both because of a lack of commercially qualified staff in cooperatives and in view of difficulties in the adaption of current sales possibilities of a given shop with the production of a definite enterprise.

Modern trade promotes the building of large department stores and thus facilitates a connection of work cooperatives with such units. Cooperative wholesale stores operated by second degree organizations can be of great aid in the sale of cooperative goods. Such specialized stores can help in the implementation of modern marketing methods.

A cooperation of work cooperatives with consumer cooperatives is also one of efficient ways of securing a market for cooperative production. In such cases work cooperatives produce for an organized market and consumer cooperatives, in turn, have a warranted influence on the production direction of work cooperatives.

Price policy is a difficult problem to handle in such situations. Consumer cooperatives, that have to defend the interests of consumers, are looking for the cheapest supply sources or endeavour to start their own production.

A cooperation between consumer and work cooperatives can lead to an elimination of a number of intermediary links in distribution. Such an elimination of intermediaries and the fact that certain retail shops belong to work cooperatives can have a favourable influence on the shaping of prices.

There is also a possibility of cooperation between work cooperatives and agricultural cooperatives in the range of certain goods production, and with housing cooperatives in the range of building and repair services, or in interior equipment finishing.

The kinds of cooperation mentioned should be based on long-term agreements that would ensure a very desirable stabilization to both parties concerned.

#### 12/ Investments in industrial cooperatives

In view of very limited accumulation possibilities, on a national scale, in developing countries, the means necessary for industrial investments and the establishment of an infrastructure, there are certainly great difficulties, in these countries, in the accumulation of means for investments in small-scale industry.

One of the ways to accumulate capital in order to start investments consists in the integration, by work cooperatives of the dispersed means of the population .

Practice indicates that the extent of necessary outlays on investments in work cooperatives is distinct, in relation to the production achieved, from that in large industry. Differences exist not only between costs in the establishment of work stands in small and large industries, but are also considerable within small industry, conditioned by production lines.

A great deficiency in capital necessitates work cooperatives to make a choice of investments that would ensure a possibly maximum employment. It is very typical of small-scale industry that, during the first activity stages, it concentrates on production requiring the least costly work stands.

A second factor that should tend to reduce investment costs in work cooperatives, in relation to those in large industry, is the seeking of solutions which would make use of the existing infrastructure, without the necessity of its costly expansion.

The third factor consists in the greatest possible integration of cooperative workshops with cottage industry worker groups. This considerably reduces investment costs in relation to production.

V Cooperation with, and assistance to developing countries  
in developing industrial cooperatives by means of multila-  
teral and bilateral channels

13/ Governmental departments or central cooperative  
organizations concerned with the establishment and  
promotion of work cooperatives, their links with  
international agencies

In countries with developed cooperatives, problems connected with their expansion are generally concentrated in departments at definite ministries. There are countries which have a special Ministry of cooperative development. These institutions are engaged in the promotion, initiation and organization of new cooperatives. They decide on the establishment of cooperatives and carry out supervisory functions.

Many countries have central cooperative organizations which carry out a number of these functions. The main task of the central cooperative organizations, which have generally the character of second or third degree organizations, is a widely conceived assistance to cooperatives. That assistance is of great importance for their development. Moreover, the existence of such organizations can greatly facilitate the realization of aid coming from international organizations and a collaboration with cooperative organizations in other countries.

It appears, however, from the statutes of international organizations, including U.N.I.D.O., that their aid can be realized only after a proposal of the government in an

interested country. For this reason, the departments or ministries handling cooperative matters have to be in contact with U.N.I.D.O. because this is the way of obtaining aid from that body, while the realization of that aid can be greatly facilitated by the existence of central cooperative organizations.

The situation in the field of international credits is similar. A great scattering of cooperatives and a lack of appropriate warrants hinders the granting of credits to industrial cooperatives by the World and Regional Development Banks. The existence of central cooperative organizations could create possibilities of extending credits to them, or under their warrant. It also offers the possibility of obtaining from a government warrants for credits extended to cooperatives. Central cooperative organization can also play a similarly important role in establishing and realizing a cooperation between cooperatives in developing and developed countries.

14/ Exchange of information on national and international levels.

The transfer of verified information from a cooperative organization to another is one of the most essential form of assistance. In order to follow this way in a wide manner it is, however, necessary to have an efficiently working information system with experience verified in practice, on one side, and a demand for definite forms of aid, on the other. One must also have a current discernment of the development of work cooperatives in particular countries, both in developed and developing ones.

In countries with strongly established cooperative unions such a kind of informative system is generally operated. In countries with several unions the respective data are usually concentrated in the departments or ministries handling industrial cooperative matters. These concentrate all data on cooperatives in a country that has no cooperative organizations of the second or third degree type.

The organization of information on an international scale is a more difficult matter to realize. The Industrial Cooperatives' Committee of the International Cooperative Association as well as the Cooperative Industry Centre at Warsaw, which is an agency of that Committee, have a certain number of data, mainly on countries that have Central Cooperative Organizations. There are, however, many countries in which cooperatives are dispersed, have no unions of their own, and the only information on cooperatives is available in governmental institutions which often are already in contact with the U.N.I.D.O. The best way of avoiding duplication should be the elaboration of a system that would take advantage of both information channels: U.N.I.D.O. and the International Cooperative Association.

15/ Cooperation between industrial cooperatives and the role of governments in promoting this cooperation.

Certain forms of cooperation are already developed between the cooperative organizations of particular countries, aiming at an aid for, and development of industrial cooperatives. That cooperation is mainly based on bilateral agreements, but its range is narrow, and does not cover all forms possible



for developed countries, and necessary in developing ones.

That cooperation could be greatly expanded by an inclusion of U.N.I.D.O. in these bilateral agreements. The International Cooperative Association and organizations belonging to it have vast experiences at their disposal that can be willingly transferred to cooperative organizations in developing countries, but there is often a lack of certain means that could make such transfers possible.

A common action of U.N.I.D.O. and cooperative organizations associated in the International Cooperative Association could expand the range of that aid. It is, however, necessary to include the governments of developing countries in that system. It may also be sometimes necessary to include the governments of developed countries which could offer their aid, since in many cases international assistance is connected with dreary penury. Moreover, the U.N.I.D.O. assistance system is bound by the requirement of a request for aid coming from governments of developing countries.

The forms of aid must be adapted to conditions in particular countries and can affect the following fields:

- a/ training in countries with a large experience, or aid of such countries in training organized on the spot.
- b/ the help of experts in working out feasibility studies, the implementation of new technologies and aid in the start of production.
- c/ the help of experts in the range of organization

- d/ the promotion of foreign trade
- e/ the transfer of know-how and technologies
- f/ deliveries of machines and equipment
- g/ the operation of joint trade enterprises/for example mixed societies/
- h/ deliveries of small industrial plants, service stations, and many other forms.

In order to select the most appropriate forms of aid and cooperation, mutual consultations of all interested parties shall be necessary. One of the forms of such consultations could be a "regional promotional meeting with a participation of government representatives and representatives of countries with a developed industrial cooperatives' organization, to be organized by U.N.I.D.O. and I.C.A."

Such meetings would be a most competent council for thorough discussions on the most essential problems connected with the development of work cooperatives.

- 16/ Implementation of the redeployment concept, within the framework of industrial cooperation, from developed to developing countries with a participation of U.N.I.D.O.

The advantages offered by the cooperative form in the industrialization of developing countries constitute possibilities of an utilization of the organization of industrial cooperatives in the implementation of the concept of redeployment.

The implementation process should take the following stages into consideration:

- a/ On the basis of "feasibility studies" carried out with the assistance of experts from industrial cooperatives from developed countries it should be determined which countries and which regions in developing countries have the greatest development chances.
- b/ It should be found out what cooperative plants among industrial cooperatives in developed countries would be suitable to be moved to developing countries or reproduced there.
- c/ The training of specialists should be organized for the purpose of running such plants in future. The training should be of a practical character of in-plant training and should include foremen and managers of productive organizations. It is important to advance a thesis of a complete reproduction in order to be able to undertake practical training under conditions similar to those in which the trained staff is to work.
- d/ Cooperative organizations in developed countries could, within the framework of cooperative assistance, offer a transfer /free of charge/ of technical documentation, know-how and technological documentation.
- e/ A system of a financial aid from the United Nations for developing countries should be organized in order to offer them credits and subventions for the building of houses and the purchase of both new and second-hand machines.

As far as financing of the indispensable import of machines and equipment is concerned, apart from appropriations from the U.N.D.P. for the financing of machinery imports for the purpose of demonstration /within projects of technical assistance/, means for that purpose should be provided in the form of loans to central financing offices or to second degree organizations by World Bank, Regional Development Banks and by other international banks and financing societies /I.F.C., I.D.A./.

These organizations could also grant credits to local banks and particularly to cooperative banks to cover local expenditures in their home currency, for instance for building rooms for production purposes.

Interests in that kind of financing by international financing offices should be protected by the fact that these loans are typical "self-liquidating projects".

- f/ During the next step, aid should be secured to start a productive plant. When there is a team of well trained workers /according to point c./, the assistance of 1-2 experts will be sufficient.
- g/ It is also possible to organize training on the spot, on cooperative subjects, by lecturers from cooperatives of developed countries.
- h/ It is also worth while to consider and undertake an experiment consisting of a so-called patron organization, which could be a cooperative, would train the staff and

transfer a cooperative plant to industrial cooperatives in one of the developing countries. The activities of a patron would include permanent contacts, deliveries of new samples and new technological documentations, information on new raw materials, etc.

A programme scheduled in this way would constitute a basis for:

- a/ new ways of training,
- b/ transfer of technologies,
- c/ the solution of employment problems by starting new productions,
- d/ increased deliveries to the home market and the destination of a part of production for export.

Thus, such a programme could be a part of the redeployment process of production capacities on international scale within the establishment of the New Economic Order.

## VI Recapitulation

Every country has its own peculiarities and the development of cooperatives in particular countries cannot be dealt with in an abstract manner, detached from local conditions. There must, however, be a single common principle, namely that development programmes for industrial cooperatives must be in tune with general economic development.

Industrial cooperatives in developing countries must expand along ways corresponding to the economic, social and cultural level of each country. It is necessary, in many countries, to start with simple forms of cooperation. The implementation

of cooperative forms must be very flexible, one has to accept elements that are feasible from a pragmatic point of view and not rigid principles that could be appropriate in developed countries.

In spite of all the reservations or doubts connected with the possibility of a transfer of certain solutions from developed to developing countries, it should be possible to transfer a number of definite experiences, worked out during a historical process. Work cooperatives in developed countries were also started at a period when these countries were on different development levels. They have thus experiences based not only on their present activities but also dating from historical developments. In addition, cooperatives in developed countries operate in various regions of their country, often on a development level very distant from the average.

The International System of Cooperation and Assistance, between cooperative organizations, with the cooperation and aid of U.N.I.D.O. and other international organizations attached to the United Nations can be of great help in the transfer of these experiences.

After taking into account the experiences of many countries with different economic and social conditions, and on different levels of economic development, it is possible to formulate the possibilities of an utilization of industrial cooperatives, particularly work cooperatives, for the social and economic development of a country, in the following manner:

- a/ in all economies, work cooperatives can be made use of for industrial development, particularly of small-scale industry and certain kinds of services. They can also be useful in cooperation with key industry.
- b/ Work cooperatives can supplement other fields of national economy, for example in building industry or transport, by activities differing either by a more individual character, by a superior level of skill or by a smaller range of work.
- c/ Work cooperatives can be a form of an accumulation of dispersed means and of their guidance to various forms of economic activities.
- d/ Work cooperatives can play a significant role in the improvement of the social conscientiousness of their members. The inclusion of members in the work of various bodies of cooperative self-government should be a school of social management and control.
- e/ Work cooperatives, by their social, cultural and educational activities, can have a great influence on the environment in which they operate, particularly in small towns and settlements.
- f/ Work cooperatives can lead the way to a vocational activation of the working classes of the immigrant population, to the establishment of work cooperatives and the creation of additional employment in villages that should check the mass migration of people to towns.
- g/ Work cooperatives, concurrently with small-scale industry organizations can be utilized for the establishment of

work stands in feebly developed regions /the activation of small towns and settlements/ and for certain groups of people /unable to work in large industry/. In that manner, work cooperative can be a significant element of employment policy.

h/ Work cooperatives can play an important role in the organization of redundant labour, unemployed in the normal course of employment. They can also avail themselves of local unexploited raw material sources and organize production based on local productive traditions. This may be the case in folk and artistic industry. Such activities create work stands, achieve a production sought after both on domestic and foreign markets and contribute to a preservation of indigenous culture.

i/ Because work cooperatives can, as a rule, be an investment located at random where the presence of a local labour force and the necessary infrastructure are of decisive importance, they are able to supplement the investments of large industry. Work cooperatives, owing to their ability to rapidly realize investments, involving smaller capital outlays, in economically underdeveloped regions, can have a significant share in the distribution of productive forces.

j/ By organizing small producers and craftsmen, work cooperatives can include small-scale industry and services in economic development programmes and the general system of national economy. This may be useful in planning, in certain countries.



Work cooperatives have a certain superiority over individual initiatives in the organization of small-scale industry forms, for two reasons. First of all, work cooperatives have a greater ability to activate both the economic and social structure and, secondly, a characteristic feature of small-scale industry is the fact that it is able to make use of the existing infrastructure. Under certain conditions work cooperatives are able to partially expand the existing infrastructure and thus initiate an economic development, of particular importance for developing countries.

Work cooperative functions can change, being dependent of the industrialization stage of a country. They can also vary, and are different in feebly developed areas than in regions of industrial agglomerations. In the first case the main objective of work cooperatives will be the creation of work stands in their area and, in the second, a moderation of discords that are a result of the monostructure of key industry.

It is, of course, absolutely necessary to be clearly aware of the fact that cooperatives and particularly work cooperatives carry out activities which require a certain level of society, a definite solidarity and social bonds.

One has also to consider a choice of environment, and it often is necessary to start with simple forms of cooperation.

In the least developed countries and also in certain regions of moderately developed ones in which there are no social

bonds nor solidarity feelings, the organization of cooperatives, particularly work cooperatives, involves certain risks.

These hazards should not, however, hamper the development of such, most appropriate production forms, but must be considered in order to ensure the training, social care and aid during the first steps.

Aid coming from governments is of particular importance alongside to that of second degree organizations as well as international assistance from other, more experienced cooperative organizations. That assistance will be significantly effective when extended with a participation and close cooperation of international organizations, particularly U.N.I.D.O.

A P P E N D I X

Additional Explanations Concerning Some Organizational Forms

Definition of productive cooperatives /work cooperatives/

A work cooperative is an association established for the purpose of giving work to its members, offer them material advantages and improve their vocational and cultural level.

The most fundamental features of a work cooperative are:

- a/ as an enterprise it operates on a material base which is a common property of a group, established, to a large extent from an accumulation of individual means by its members.
- b/ members have an ensured influence on the management of the enterprise and the right to elect its executive leadership according to the democratic principle - one member - one vote.
- c/ members participate in the sharing of profits in proportion to their work for the cooperative.
- d/ members are responsible for any losses of the cooperative to the limit of their declared shares.
- e/ the cooperative has to appropriate a part of its profits for social and educational purposes, in order to improve the vocational and cultural level of its members.

Organizational forms of industrial cooperatives, including cooperative associations or federations

When discussing cooperative forms in the field of production

one should note the following organizational forms of industrial cooperatives:

The first is composed of work cooperatives

The second embraces handicraft supply and sales cooperatives  
/mainly handicraft cooperatives/

The third covers industrial workshops operated by consumer or other kinds of cooperatives.

While work cooperatives operate on the base of a common property accumulated from the dispersed means of their members, handicraft supply and sales cooperatives are an auxiliary organization for individual craftsmen. Members in these cooperatives are all craftsmen who run workshops that are their individual property. This simple form of collaboration may be transitory to work cooperatives but it may also keep its character and restrict itself to the organization of raw material supplies and sales of the articles produced by individual craftsmen members. That form is more appropriate for the development of crafts and very small productive plants, than to a broader development of small-scale industry.

On the other hand, work cooperatives that accumulate the means of their members are able to carry out a gradual concentration of production, obviously on a scale typical for small industry, they can afford to buy machines out of reach for individual craftsmen and can also ensure the use of rational production methods and technological progress.

Work cooperatives can operate a single workshop or plant; this is mainly so in cases of new investments. They can also

operate a number of units in cases when a cooperative is established by an association of small producers and craftsmen. A very frequent form of work cooperative organizations is a close link between small workshops and cottage industry worker teams.

Concurrently with these two organizational forms, another cooperative form can develop production in industrial plants operated and owned by consumer or other types of cooperatives. That form is most frequently observed in the production of goods for the network of consumer cooperatives, or in the processing of raw materials purchased by agricultural cooperatives.

Consumer and agricultural cooperatives have often accumulated considerable means. The organization of its own industrial production by consumer cooperatives is a transfer of funds from the sphere of trade to the sphere of production. The aim of that production, however, is neither to give employment to members nor the use of dispersed local human and natural resources.

In order to integrate certain functions that could not be carried out by basic cooperatives, in an efficient manner, because of their size it is necessary to create associations and federations. These unions have the character of second degree organizations and should have the form of cooperatives associating corporate bodies /cooperatives/. This protects the direction of union activities that have to conform with the needs of the basic cooperatives /members/.

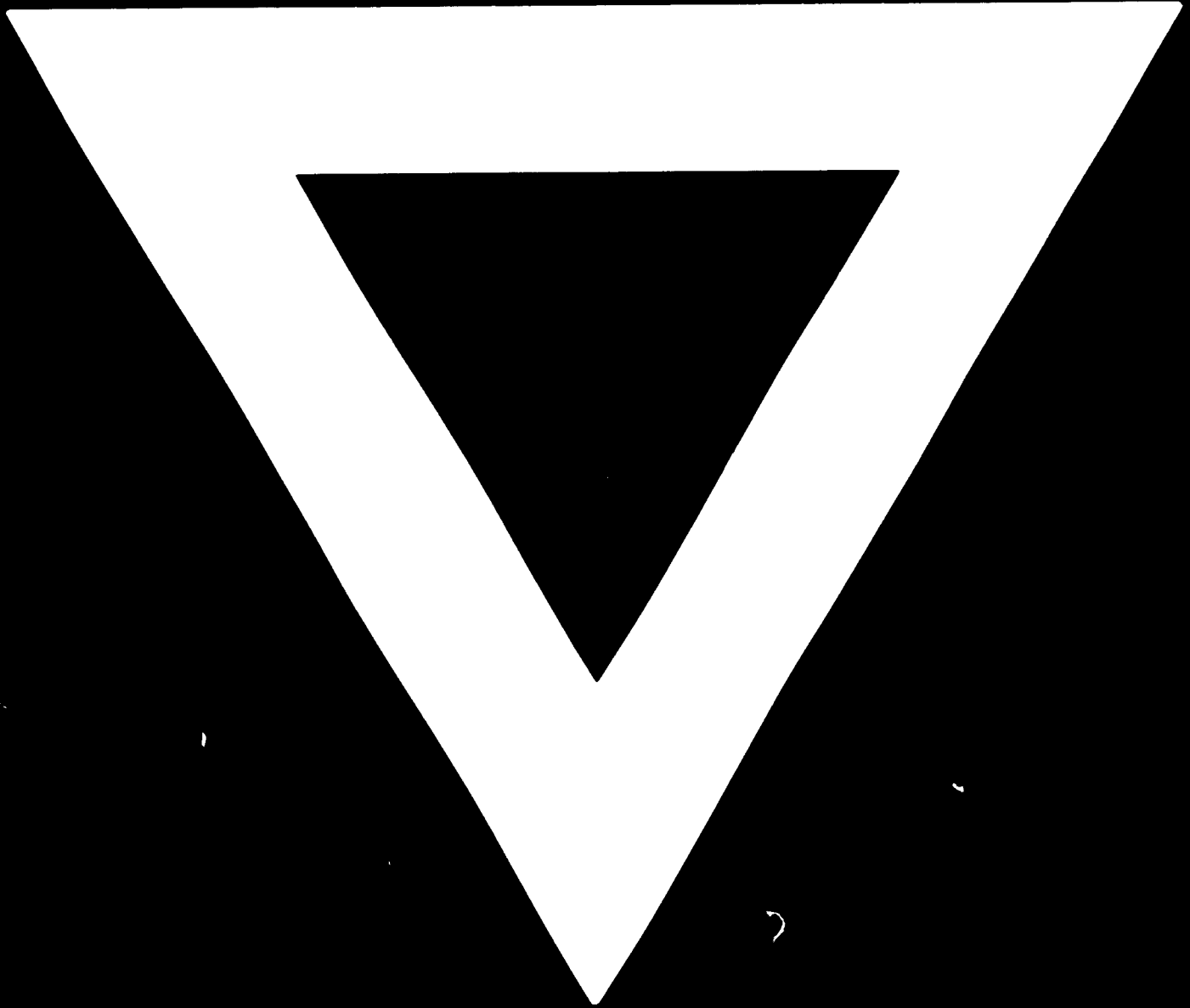
The integration of these functions should not, however, be carried out by way of an incapacitation of basic cooperatives, but by granting them definite assistance without hampering their initiatives and freedom of action.

The State can grant certain rights to these second degree organizations such as the right of control, the right to issue licences for the establishment of new cooperatives, etc.

In addition to assistance extended to cooperatives these associations or federations have the task to promote the development of work cooperatives and help in the organization of new cooperatives, particularly in the matter of staff training and financing, which Mr. Antoni treats more precisely in his paper.



**G-668**



**78.11.06**