

THE SAGA OF THE CO-OPERATIVE MOVEMENT IN PAPUA NEW GUINEAs

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INTRODUCTION

The International Co-operative Alliance (ICA) defines a cooperative as ‘an autonomous association of persons united to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise’.^[1] The cooperative movement has a fairly long and chequered history in Papua New Guinea (PNG). It thrived during the Colonial period, but declined to oblivion post-independence. Indeed, but for recent developments one would be tempted to leave the study of cooperatives in PNG to historians. The most important of these developments include the creation in 2000 of the Office of Cooperative Societies Unit, within the Department of Trade and Industry, with a mandate to revitalise the cooperative sector; and, in 2003, the promulgation of a new set of *Cooperative Regulations*. In addition, official rhetoric suggests that the Government is beginning to give priority or at least some impetus to revitalising the cooperative movement in PNG.

This article explores the ups and downs of the cooperative movement in Papua New Guinea. It discusses the reasons for the failure of the movement and for the current attempt by the PNG Government to revive the cooperative form of business organisation. The question is whether the cooperative movement with thrive to, or even beyond, it’s pre-Independence heyday.

Before we focus on the co-operatives movement in PNG, for the benefit of readers who are unfamiliar with the cooperative form of business organisation, we shall start with a brief discussion of the main features of co-operative societies, and how co-operatives differ from other business organisations.

ORIGINS OF CO-OPERATIVES

Cooperation has always been a feature of humankind. As a modern phenomenon, the co-operative form of business organisation originated in England amongst the industrial workers in the mid-nineteenth century, shortly after the introduction of the modern joint stock companies and as a reaction to it. Co-operatives started as an urban consumer retail enterprise but soon spread to rural areas amongst farmers. During the latter part of the nineteenth century, the concept engulfed several parts of Europe and North America. Early in the twentieth century, the cooperative movement spread to India and gradually to other Asian and African countries, mainly courtesy of the colonial administrators.^[2] Presently, the co-operative form of business organisation is an international movement. Although some associate it with socialist or communist countries, the cooperative movement also operate in capitalist countries such as the United States of America, Canada, Israel and Australia. An Indian Registrar of Co-operatives appropriately described the co-operative movement as representing:

... a happy mean between the forces of extreme individualism on the one hand and socialism and communism on the other. It stands for individual rights tempered by considerations of justice, equity and fair dealing as between man and man, and its one great aim is to prevent the exploitation of the weaker by the stronger party.^[3]

In addition, it is inaccurate to equate co-operatives with the traditional co-operation amongst indigenous communities. “Co-operation” or co-operative as used here in a technical sense is different from the indigenous kind of co-operation.^[4]

Co-operative values and principles

The bases of co-operatives are the “co-operative values” and “co-operative principles”. They are the main features that distinguish co-operatives from other forms of business organisations. At the 1995 Manchester Congress of the International Co-operative Alliance, the Congress adopted an *Identity Statement on Co-operatives*, which authoritatively elucidates the co-operative values and co-operative principles.^[5] The co-operative values are self-help; self-responsibility; democracy; equality; equity and solidarity. There are seven co-operative principles: voluntary and open membership; democratic control; member economic participation; autonomy and independence; education, training and information; co-operation amongst co-operatives; and concern for the community. We shall discuss these principles briefly.

The principle of “voluntary and open membership” entails that membership of a co-operative society must be voluntary and available, without artificial restrictions or any social, religious or political discrimination, to all persons who wish to benefit from co-operative membership and are willing to accept the corresponding responsibilities. Conversely, members who wish to resign from a co-operative society should be free to do so without any artificial hindrance. The moral of the principle is that co-operative societies must justify their existence to the people. If the people feel that membership serves their interests, they will join; if it does not they will stay away.^[6]

The principle of “democratic control” entails control of the organisation based on democratic principles. Thus, in all matters that involve voting in the management of co-operatives, the principle is one member one vote irrespective of the number of shares held by a member. This is in recognition of the fact that people working together to achieve a common objective should have equal say in the joint enterprise.^[7] This is in direct contrast to the situation with ordinary corporations where control of the enterprise usually depends on the amount of capital contributed by a shareholder - one share one vote - or the type of share held, which may give preferential voting power.

The principle of “member economic participation” imposes a limit on return paid on share capital. This principle is related to the second principle above. Its basis is that whilst co-operatives acknowledge capital as an important factor of production that should be rewarded, they reject the notion that it should be a means of exploiting other members as patrons of the association. According to this principle, a co-operative society must distribute to members any profit arising out of its operations in such a manner as to avoid one or some members gaining at the expense of other members. One way of achieving this is to refund to the members at the end of the financial year a share of the net surplus, if any, in proportion to patronage or use of the society’s services. For example, a retail shop co-operative society may pay rebates to members in proportion to the amount of business a member conducts with the shop in the financial year.

The fourth principle: “autonomy and independence”, means that co-operative societies should enjoy a certain degree of autonomy and a right to run their business as they see fit. According to this principle, as long as co-operatives act within the scope of the legal framework they should not be subjected to greater outside supervision or interference than other business organisations.^[8] The fifth principle requires co-operatives to strive to promote education amongst their members, officers, employees and the public about the cooperative values and principles and the laws, which govern co-operatives. The object of this principle is to encourage the members to spread the co-operative gospel amongst the masses. Success or failure of the co-operative movement largely depends upon the conviction of the members and the public of the advantages of conducting business through co-operatives. However, the principle goes further. It

demands that co-operatives should aim at educating their members to improve their economic production, for example, by teaching them the best farming methods, modern business management, marketing, and the impact of globalisation on socio-economic conditions. One writer observes that education of members and employees 'is one of the goals of the co-operative society to make its members fit for survival under changing conditions and accordingly has to be treated as a necessary investment in human resources development and as a cost factor.'^[9]

The sixth principle requires all co-operatives to endeavour to co-operate in every practical way with other co-operatives at local, national and international levels. The co-operative form of business organisation is a "movement"; hence the need for co-operatives to assist and work with each other to improve the quality of life of members wherever they may be. Networking strengthens co-operatives in competition with other business organisations.

Finally, co-operatives are part of the community in which they operate. This principle calls for social responsibility on the part of co-operatives and their members. This entails, amongst other things, working towards improvement of the community in the area they operate, showing concern for neighbours, participating in development activities and showing concern for the environment. In other words, co-operatives and their members should be good citizens.

All co-operatives, irrespective of the nature of their business or area of operation, should conduct their business in accordance with these principles. However, the International Co-operative Alliance emphasises that the seven co-operative principles are not dogma. Rather, they are guidelines or best practice for co-operatives that wish to put co-operative values into practice.^[10]

Organisational structure of the co-operative movement

Traditionally, the organisation of the co-operative movement is in tiers, which form a pyramid shaped structure. At the bottom of the structure are primary co-operative societies whose membership consists of individuals. The primary societies serve their members directly. Their size may vary from small village societies to large societies serving several villages. The range of business of primary societies also varies from single -purpose co-operative societies engaging in, for example, retail trading, to multiple- purpose combining, for instance, retailing and product marketing. Primary societies form the foundation of the co-operative movement; success of the movement invariably hinges on grass root support.

The next tier in the pyramid consists of "co-operative societies associations" also known as "secondary societies". These operate on the same basis as primary societies, except that their membership is limited to primary societies. Through these associations primary societies can combine their resources to purchase in bulk or acquire major capital assets that as individual societies they would not afford. For example, primary retail societies could combine to form a wholesale co-operative societies' association, which serves the member primary societies. Secondary societies may further federate to form a union at a regional or provincial level. For example, wholesale co-operative associations in a particular province could combine to form a provincial wholesale co-operative union, which serves the member associations. At the top of the pyramid, there is a nationwide federation: the "apex union" composed of the unions.^[11] At the international level, co-operatives are united under one umbrella of the International Co-operative Alliance (ICA).

It should be stressed that it is not mandatory for co-operatives to follow the traditional structure. Circumstances in a particular country or region might dictate a different structure. Indeed, as will be seen, the Papua New Guinea Co-operative Societies Revitalisation and Development Project, introduces a new co-operative societies structure in PNG.^[12] Whatever the manner or level of organization the basic aim of the co-operative movement is to improve the economic welfare of the members.

Advantages and Disadvantages of Co-operatives

In Developing Countries, co-operatives are particularly suited to rural people with low income. By forming co-operatives, people can contribute funds to provide themselves with facilities, which as individuals they would not afford. For example, they could purchase a truck to transport their produce; build storage for their produce prior to marketing them; employ experts to assist them in their work and so on. Farmers marketing their produce through co-operatives would have a greater bargaining power than if they did so individually in competition against each other. By handling members' produce in bulk, co-operatives may reap some economies of scale. For example, reduction of intermediaries, staff expenditure and marketing costs, could result into more income to the members. From the buyers' point of view, co-operatives bring together a large number of small producers into a unit that buyers of that produce could deal with.^[13]

At a national level, several advantages may accrue from using co-operative form of business organisations. The co-operative values and principles foster unity and co-operation amongst the grassroots in their struggle to improve their economic situation. It is a convenient means of encouraging the common people to participate in the economic development of their local area and country. Because of the nature of the composition of their membership and the distribution of surplus income earned by the association, co-operatives ultimately facilitate a wider distribution of wealth to the population than ordinary companies whose shareholders are usually an exclusive class of relatively rich people. Unlike company shareholders, who tend to live in urban areas, co-operative members are local people. For this reason, most of the income they earn they are likely to spend locally, which boosts the local economy and development. Moreover, co-operatives are rooted in local areas irrespective of their economic fortunes. Ordinary companies on the other hand operate in an area for as long as there is profit to be made. If they can make a better profit elsewhere, they just wind up and leave.^[14]

Nevertheless, co-operatives have also several drawbacks. Perhaps, the most important drawback is their inability to attract large capital investment. Co-operatives do not appeal to large capital investors because co-operatives do not recognise capital as the key factor of production. As we have seen, co-operative principles and values preclude the distribution of profits, and control of the enterprise based on capital, which is the antithesis of most corporations. For this reason, co-operatives tend to suffer from lack of private capital investment. Co-operatives are also subject to more control and supervision than are ordinary corporations in their management and activities. Many business people resent officious civil servants, let alone politicians, telling them how to run their business. Indeed, in many countries government interference in the running of co-operatives is often cited as one of the main reasons for the failure of the co-operative movement.^[15]

THE CO-OPERATIVE MOVEMENT IN PNG

Officially, the co-operative movement was launched in Papua New Guinea in 1947, when the Australian Colonial Administration established a "Co-operative Section" within the Department of District Services and Native Affairs.^[16] It assigned several officers the task of encouraging the indigenous people to form co-operatives. The Administration's motive was partly to stimulate economic activity amongst Papua New Guineans and partly as a tactical move to guide potential 'political forms of resistance into proper channels'.^[17] As was the case in other colonies, one of the results of the Second World War was that the natives acquired political awareness, which the Administration feared they might use against it if not controlled. The Administration identified the co-operative movement as one of the channels to divert the attention of would-be political agitators.

During its initial stages, the co-operative movement mainly consisted of simple village trade stores. Under Government encouragement and guidance the movement quickly spread. The area of activity became

more diversified, from consumer societies to marketing of primary produce, especially, coffee, cocoa and copra. The number of primary societies rose from 98 in 1950 to 316 by 1958, with membership of 8556 in 1950 and 109,175 by 1968.^[18] There was also an upsurge of secondary associations during the same period, 11 in 1955 and 14 by 1968.

In the 1960s, the Administration stepped up its commitment to the promotion of the co-operative form of business organisation as a means of promoting the indigenous peoples' socio-economic development. More Administrative officials were assigned to assist co-operative societies in managing their affairs, preparing budgets and accounts, and generally policy formulation. A co-operative education centre was established to provide training in the various elements of business and management of co-operatives in accordance with the co-operative principles. In 1970, the Laloki Co-operative College was established with the assistance of the United Nations Development Programme. The object of the college was to expand co-operative education both in terms of numbers of trainees and in terms of the quality of the programme. In the same year, the office of the Registry of Co-operatives was upgraded to a Division of Co-operative Extension within the newly created Department of Trade and Industry. Several positions in the Department were upgraded to senior levels with a view to attracting persons of a higher calibre.^[19]

Unfortunately, the steps taken by the Administration were rather late. In spite of the steady increase of the number and membership of co-operatives in the 1950s and the 1960s, by the end of the 1960s signs of failure of the movement in the colony were evident. Several primary societies had returned losses for at least three consecutive financial years. Many societies either were in the process of liquidation or had ceased to trade altogether. Most of the large co-operative unions that were established to service primary societies were also in serious financial difficulties.^[20] The people's faith in the co-operative movement was rapidly declining.

Some placed the blame on the Colonial Administration for not doing enough to assist co-operatives, whilst others thought that the failure of the movement was due to over-enthusiastic bureaucratic interference in the management of co-operative affairs, which the members resented.^[21] Others theorised that the co-operative principle of open membership that coerced people of different clans or tribes (some traditional enemies) to carry on business together, was unworkable in many areas of the country. Constant factional infighting from the directors' level to the regular members, which made it impossible for most co-operatives to function efficiently, strengthened this assertion. Others still thought that the Australian business people instigated the failure of the co-operative movement in order to thwart competition. Most likely, however, the decline of the co-operative movement was due to a combination of several factors. In fact, at around the same period worldwide co-operatives were fighting with their backs to the wall.

Committee of Inquiry

On 20 November 1970, the House of Assembly resolved to establish a committee of inquiry to examine the achievements and problems of the co-operative movement in the territory, and the role of the Administration. The committee was also to make recommendations as to the future of the co-operative movement in the country. The committee was appointed in August 1971, and it reported in September of the following year.^[22] Its findings confirmed that the co-operative movement was collapsing. It attributed this to several reasons. The committee found that many co-operatives were making losses because of mismanagement and/or incompetence of their managers and directors. Some co-operative officers were embezzling funds whilst others had private business in direct competition with the co-operatives they were managing. The committee also found that the Administration in its enthusiasm to encourage ordinary Papua New Guineans to form co-operatives unduly raised their expectations. Many people were disillusioned when the promised high yields from their investment in co-operatives did not materialise.

Competition from private companies, mainly expatriate owned, was, according to the committee, another

key factor for the failure of the movement. Being better organised and having easier access to finance, private companies were able to offer more attractive terms for goods and services than those offered by the co-operative societies. For instance, they paid farmers higher prices and in cash for their produce; and the goods sold in their shops tended to be cheaper than those in the co-operative shops were. As a result, many members of co-operative societies became “disloyal” to their societies.

The committee also found the policies and actions of the Administration partly responsible for the demise of the co-operative movement. It criticised the Administration's lack of a definite and rational policy towards co-operatives. Officials of the Division of Co-operative Extension were too few and many of them were incompetent or insufficiently trained to fulfil the role of advising co-operatives in financial and managerial matters. Moreover, the committee noted that the co-operative education was inadequate, in particular, because it did not provide for the training of the ordinary members who formed the foundation of the movement.

In spite of these criticisms, the committee generally commended the role of the co-operative movement in social and economic development of the indigenous peoples. It felt confident that that role would continue in the future. The committee made several proposals for improvement. Its main recommendations included a re-organisation of the relevant Administrative division responsible for co-operatives, restructuring the co-operative education, encouragement of the people to form co-operatives and provision of assistance to those in operation. The committee, nevertheless, warned the Administration to be more vigilant in identifying co-operatives that were not economically viable and to wind them up before they incurred further losses. The committee also recommended the repeal of the *Co-operative Societies Act 1965* and its replacement with much simpler legislation that the ordinary people would understand.^[23]

The demise of the co-operative movement

The committee's report perhaps confirmed rather than allayed the Independent Government's misgivings of the future role of the co-operative movement in the socio-economic development of ordinary Papua New Guineans. Instead of reforming the co-operative movement, the Government actively moved to abolish it. It sought to promote incorporated business groups, which was a new form of business organisation unique to PNG, as the key vehicle for engaging ordinary people in economic activities.^[24] The *Co-operative Societies Act 1965*, was repealed by the *Companies (Co-operative Companies) Act 1975*^[25] The latter Act made provision for the incorporation of a ‘co-operative company’^[26] under the *Companies Act 1963*.

A co-operative company was a halfway house between an ordinary company and a co-operative society registered under the repealed Act. Section 373 of the *Companies Act* defined a co-operative company as a company limited by shares and by guarantee, and whose articles of association complied with the requirements of s 377 of the Act, and the word ‘co-operative’ formed part of its name. Section s 377 required a co-operative company to state in its articles of association the following information: (i) that membership was open to all individuals and business groups incorporated under the *Business Groups Incorporation Act*; (ii) all members with the same number of shares had equal voting rights; (iii) payment of dividends was restricted; (iv) shares of members who resigned or were expelled from the company were redeemable; and (v) that all directors had to be members of the company. Section 378 restricted the manner of distribution of profits amongst the members. It provided that after payment of dividends on shares and payment to the Co-operative Education Trust (and any other payment to charitable organisations or community welfare as approved in a general meeting) any remaining surplus had to be distributed to the members in accordance with the business they conducted with the company. Clearly, the object of these provisions was to give legislative effect to some of the co-operative principles discussed above and ensure that co-operative companies conducted their business accordingly. Otherwise, co-operative companies were subject to the same provisions of the *Companies Act* just like any other

incorporated company.

The underlying policy was to phase out co-operative societies and replace them with co-operative companies under the administration of the Registrar of Companies. As a transitional measure, all co-operative societies registered under the *Co-operative Societies Act 1965*, were deemed to be registered under the *Companies Act, 1963* as co-operative companies.^[27] Converted societies had a grace period of nine months to amend their rules to comply with the requirements of co-operative companies under the Act. Any converted co-operative company that failed to comply with these requirements within the specified period became a public company by default.^[28] Meanwhile, the *Companies Act, 1963* was amended to make a special dispensation for companies whose membership comprised of indigenous Papua New Guineans from complying with some of its provisions. The main effect of the exemption was to make it cheaper to incorporate and manage the companies that qualified. The Government hoped that this would encourage more Papua New Guineans to take advantage of carrying on their business through a business association incorporated under the Companies Act.

In practice, many co-operative societies were dissolved, mostly unofficially, while some converted themselves into incorporated business groups. Some continued to appear in the register of companies as “co-operative companies” mainly due to the statutory conversion, but the official suspicion was that most never got off the ground. There is no evidence to indicate whether any new co-operative companies were formed and incorporated under the *Companies Act*. Recent estimates of the number of co-operative companies which are still operative vary between 20 and 30.^[29]

Attempts to resuscitate the co-operative movement

By the early 1980s, some national leaders had second thoughts about the abolition of co-operative societies. Amongst those was Sir John Guise, the first Governor-General of PNG, who was an ardent supporter of the co-operative movement in its heydays. When Sir John re-entered politics he moved a private member’s bill to reinstate the co-operative movement. The bill made provision for the registration of co-operative societies and co-operative companies and management. Sir John had the backing of the then Prime Minister, Sir Julius Chan, a former co-operative officer and a strong supporter of the co-operative movement. Subsequently, Parliament enacted the bill as the *Co-operative Societies Act 1982*, and it commenced in April of the same year.^[30] Despite the support of the two prominent politicians, however, the idea did not find favour with many in the Government, and the enactment of the bill did not lead to any increase in the number of co-operatives or the revival of those that were already registered. Any pretence of official assistance of co-operatives gradually ceased, and the office of the Registrar of Co-operatives, provided for in the Act, existed only in name. The co-operative system in PNG seemed to be dead and buried even though the *Co-operative Societies Act 1982* remained a valid law in the statutory books.

Revitalisation of the Co-operative Movement

The Department of Trade and Industry first floated the proposal to revive the co-operative movement in 1995. Due to several factors, including lack of funds, continuous departmental changes and official apathy, the Government did not take any positive action.^[31] It was not until 2000 that the Government took a decisive action to revive the co-operative movement. In that year the then Minister of Trade and Industry, Honourable Michael Nali, announced the establishment within the Department the Office of the Co-operative Societies Unit (CSU), pursuant to the provisions of *Co-operative Societies Act 1982*. The following financial year, the Government made a budgetary commitment of K400,000 a year for five years towards the running of the newly established office. At the time of writing, the CSU is operational. The Registrar of Co-operatives heads the office, supported by two assistant registrars, a legal adviser and a small team of other support staff.

The CSU has the task to spearhead the revitalisation of the co-operative movement in the country. Its Mission statement is:

To encourage effective meaningful participation of ordinary people in the rural communities and villages in the national development process to perpetuate economic prosperity, enhance progress on communal welfare and to restore dignity to individuals through the Co-operative Society Movement.^[32]

To that end, the CSU has the responsibility to review the co-operative societies' law and to adopt strategies conducive to the revival of the co-operative movement. In addition, it must provide support and co-ordinate the activities of all co-operative organisations. Such support includes assisting co-operative societies with feasibility studies of a proposed economic activity, and identifying government programs and policies that could be linked with or conducted through the co-operative network, for example, rural development, micro-financing, and national food strategy programs.^[33] The CSU is aware that success of the revitalisation project will very much depend on convincing ordinary Papua New Guineans that forming or joining co-operative societies is a viable proposition. Therefore, vital to the CSU's strategy is the conduct of extensive awareness campaigns throughout the country of the value of carrying on business through co-operation.

Why revive co-operatives?

The Papua New Guinea Government has identified the co-operative movement as the best vehicle through which to implement its 'rural development, people's empowerment and poverty eradication'^[34] strategy. The reason is co-operative societies uphold the 'values of self-help, democracy, equality, and solidarity and co-operative members believe in the ethical values of honesty, openness, and social responsibility and caring for others'^[35] Moreover, according to the Government:

Co-operative societies do not only create a conducive environment to do business in the spirit of competition but also stimulate economic activities in the rural areas and which programmes will be geared towards effective participation of rural people in business activities in the villages.^[36]

Cynics may dismiss the above as a rhetorical endeavour to revive a business structure that had its heydays during the colonial period, which subsequently proved unworkable. However, the Government claims that the object of the revitalisation project is not to revive completely the pre-independence co-operatives system, but rather to start a new structure for co-operative societies that has been designed taking into account the economic, political and social conditions of Papua New Guinea.^[37] Unlike the pre-Independence co-operative movement structure, the new organisational structure has two tier levels: Primary Co-operative Societies and Secondary Co-operative Societies.^[38]

Primary co-operative societies are village-based societies whose membership will consist of village groups and individual farmers or producers. The revitalisation project designates particular commodities or resources in each province that farmers or producers, if they wish, may develop through co-operative societies. For example, in the Highlands region, the resource is coffee and livestock; in Momase it is coffee, copra, cocoa and rice; in the Southern region, it is mainly copra and marine products; and in New Guinea Islands it is copra; cocoa and vanilla.^[39] The challenge for the CSU is to encourage producers to form or join co-operative societies for their respective resource. The members themselves will be responsible for the management of their societies, with the support and assistance of the Co-operative Association to which they are affiliated.

Secondary co-operative societies constitute the second tier in the new structure. They are associations of

primary societies. There will be one secondary society (“co-operative association”) in each province. All primary co-operative societies must affiliate with the co-operative association in their province. The main task of the co-operative associations will be to unify primary co-operatives (irrespective of the nature of their business) in the respective province and to provide them management and logistic support. Such support may include transporting produce, marketing, purchasing goods from wholesale dealers and distributing them to the societies. Unlike primary co-operative societies, whose members are responsible for their management, the management of co-operative associations is the sole responsibility of the relevant Provincial Commerce Division. The provinces are also supposed to meet the cost of management of the associations, though societies may be required to make a contribution in this regard. The Government hopes that eventually co-operative associations will become financially viable and able to operate autonomously. At that stage, the provincial authorities will withdraw and let private bodies take over the management of co-operative associations.

CONCLUSION

The revitalisation of the co-operative movement project, at least on paper, looks very promising. The Government hopes that if the revival is successful co-operatives societies could well become the biggest employer in the country and will create new employment opportunities for the people, especially, in rural areas. The revitalisation has the backing of the International Labour Organisation. Success in the end will very much depend on the Government’s resolve to support the co-operative movement and, more importantly, the conviction of ordinary Papua New Guineans of the benefit of forming and/or joining co-operative societies. Reportedly, since the CSU became functional many ordinary people have expressed interest in forming or joining co-operative societies. At the time of writing, the CSU had received 126 applications to form co-operative societies, 33 of which had been registered.^[40]

From an outsider’s viewpoint, the enthusiasm shown by the people is not surprising. It is easy to sell to the masses the virtues of the cooperative movement. Most people can easily see the benefits of carrying on business through co-operatives, especially in rural communities. Indeed, as we have seen, the benefits are many. The question is whether the co-operative movement will blossom the second time around. If co-operative societies perform well people will join them; if they do not get tangible results within a relatively short period the people will desert them in droves, perhaps forever.^[41] The future of the co-operative movement at this stage is unpredictable. On the plus side for the co-operative movement, its rival, the incorporated business group, which the post-Independence Government created to replace the co-operative movement, has considerably waned in the last ten-fifteen years. On the negative side, the *Companies Act 1997* makes it relatively easy for individual entrepreneurs to incorporate and run their business. Reportedly, many progressive business people, fed-up with the “squabbling” in incorporated business groups, are going it alone by incorporating their business under the *Companies Act*.^[42] If this trend continues, cooperative societies will face stiff competition to recruit and to retain the royalty of their members.

^s Part of the materials in this article are from a book chapter written by this author in MA Kimuli, HA Amankwah and JT Mugambwa, *Introduction to the Law of Business Associations in Papua New Guinea* (1989) chapter 16.

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- [1] Quoted in G K Sharma, *Co-operative Laws in Asia and the Pacific: Part III – Present Situation and Future Trends* <http://www.wisc.edu/uwcc/icic/issues/leg-tax/Co-operative-Law-in-Asia-and-the-Pacific1/Part-III---Present-Situation-and-Future-1.html> [12]. (Accessed on 11/7/05).
- [2] For a historical account of the evolution of co-operatives see The University of Wisconsin Center for Cooperatives website: <http://www.wisc.edu/uwcc/icic/def-hist/history/index.html> (Accessed 11/7/05).
- [3] Quoted in E M Hough, *The Co-operative Movement in India* (1966), 741.
- [4] S K Asante, *Property Law and Social Goals in Ghana* (1976) 283.
- [5] *International Co-operative Alliance Statement on Co-operative Identity: Background Paper to the Statement on identity* (8 January 1996); and *ICA Statement on Co-operative Identity* (8 January 1996). <http://www.wisc.edu/uwcc/icic/issues/prin/21-cent/background.html> (Accessed 11/7/05).
- [6] Ibid.
- [7] Ibid.
- [8] Yehudah Paz, 'Towards the Future: Co-operatives in the Coming Years' (Paper presented at the Second Co-operative Forum, Cebu, Philippines, February 2003).
- [9] Hans-H Münkner, 'Co-operative Principles and Values in Developing Co-operative Societies in a Globalised Economy' (Paper presented at the 2nd Asia-Pacific Regional Research Conference, Cebu, Philippines, 18-19 February 2003).
- [10] Ibid.
- [11] For example, s 106 of the *Co-operative Societies Act 1982* makes provision for the registration of three or more primary societies as an 'association of societies'; at least three associations as a 'federation of associations'; and at least three federal organizations as a 'composite society'.
- [12] 'The Co-operative Societies Revitalisation and Development Project and its Management' (Unpublished, Government Paper, Port Moresby, 2003).
- [13] 'Five Good Reasons for Co-operatives' (Oct-Dec 2003)10(4) *Asia Pacific Coop News* 6.
- [14] Yehudah Paz, above n 8.
- <[15] G K Sharma, above n 1.
- [16] S Singh, 'Co-operatives in Papua New Guinea' (1974) 58 *New Research Bulletin* 1. DO YOU
- [17] P Fitzpatrick & J Southwood, 'The Community Co-operation in PNG' (seminar paper, IASER, Port Moresby, 14 October 1976) 14.
- [18] S Singh, above n 16, pp 3, 5 and 11. Another source states that by the late 1960s there were 455 co-operatives in the country (see David J LaMotte, 'Revitalizing the Co-operative Sector in Papua New Guinea' (Working paper, International Labor Organization working paper, 2002).

[19] S Singh, above n 16.

[20] See *Committee of Inquiry into Co-operative Societies in Papua New Guinea Report* (Port Moresby, September, 1972) 6.

[21] Ibid. See also S Singh, above n 16.

[22] *Committee of Inquiry into Co-operative Societies in Papua New Guinea Report*, above n 21.

[23] Ibid, 16-23 and generally

[24] See *Business Groups Incorporation Act* [Cap 144].

[25] Section 6, Act 106 of 1975.

[26] Section 361H, *Companies Act 1963* (c 146), as amended by s 3 of the *Companies (Co-operative Companies) Act 1975*. The latter Act inserted into the *Companies Act 1963*, a new 'Division 5' to govern co-operative companies. Reference hereafter is to the relevant provisions of the *Companies Act* as amended.

[27] *Companies (Co-operative Companies) Act 1975*, s4

[28] *Companies (Co-operative Companies) Act 1975*, s4(3) & (4).

[29] David J LaMotte, above n 18.

[30] Cap 389.

[31] 'Report on the Co-operative Society Movement in Papua New Guinea and Its Status and the Revival Strategy' (Unpublished, Government paper, Port Moresby, April 2001).

[32] Ibid.

[33] Ibid.

[34] *The Co-operative Societies Revitalisation and Development Project and Its Management* (Department of Trade and Industry, Port Moresby, 2004).

[35] Ibid.

[36] Ibid.

[37] Ibid. See also David J LaMotte, above n 18.

[38] Compare with the pre-independence four-tier structure discussed above.

[39] CSU, "Sectorial Target For Development" (Information provided by the CSU, Port Moresby July 2004).

[40] Information provided by the Registrar of Cooperatives, Port Moresby July 2004.

[41] David J LaMotte, above n 18, cautions the Government in its campaign for co-operative societies not to over promote the concept otherwise it might create unrealistic expectations.

[42] Information gathered by the author through discussion with officers in the office of the Registrar of Companies, Port Moresby, June 2004.

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