

MONGOLIAN COOPERATIVE NETWORK - GENERAL KNOWLEDGE

THE ORGANISATION OF SELF-HELP IN COOPERATIVES

(Source: German Technical Cooperation GTZ project "Promotion of organised self help in rural areas, Ulaanbaatar, Mongolia, Telephone: ++976 11 459462, eMail: fv.Mueller@tz-mongolia.org, Author: Carl E. Krug, eMail: krug@gefak.de)

It is a fact of life that human beings, who are hampered by obstacles, will always endeavour to surmount them. It is equally obvious that human beings, who are unsatisfied with the conditions of their existence, will always attempt to improve them. This behaviour refers to practically all aspects of life: economy, society, culture, health etc.

1. Three basic alternatives for action

In order to improve their situation people have three basic alternatives:

- They try to solve the problem **individually by themselves**, which very often turns out to be impossible.
- They expect an **external organisation** to solve the problem for them: either the government in form of public goods or enterprises in form of products and services, which can be purchased at the market. However, governments cannot provide everything and not all products or services are available on the market or are affordable.
- They **join forces with other persons**, who have the same problem or the same aspirations, and they solve the problem together with them.

If people choose the third alternative and they do it in an organised and permanent manner, then in fact they establish a self-help organisation. This option has helped people in many occasions all over the world. Indeed there exist very many such organisations with a great variety of objectives.

2. Self-help organisations with a variety of purposes

We know the following types of self-help organisations (see also the illustration below).

- Self-help organisations with **political objectives** are known as political parties.
- Self-help organisations with **religious objectives** are churches or religious communities.
- Of greatest interest here are self-help organisations with **economic objectives**.

3. Cooperatives as a special type of self-help organisation with economic purpose

Among self-help organisations with economic objectives we can again differentiate two main types:

- Some self-help organisations with economic objectives **do not possess an enterprise**. Some examples: trade unions support their members through influencing the price of labour, business associations promote their members through exerting influence on the political and legal framework conditions.

- Another type of self-help organisations with economic objectives **does possess an enterprise**. According to their main purpose this type may take various legal forms. In profit-making private enterprises the owners wish to make to most profitable use of their share capital. Examples are limited liability companies and share holding companies. A different approach is followed by the legal entity of the **cooperative**. Here the members wish to obtain promotional benefits in the form e.g. of better prices or a more secure income.

4. Two main types of cooperatives

Among cooperatives we can again differentiate two basic types:

- **Promotional cooperatives** support their members only in those aspects, in which the cooperative can achieve more benefits than the individual member. An example is the joint marketing of agricultural produce on behalf of farmers as members. The member still retains his individual enterprise and the full profit and risk of production.
- **Productive cooperatives** make use of the full working capacity of their members. The members are completely absorbed by the cooperative business and no longer have an enterprise of their own.

5. Illustration: Cooperatives as a special type of self-help organisation

(Adopted from A.Hanel, Basic aspects of cooperative organizations and cooperative self-help promotion in developing countries, Marburg 1992)

