



Training Manual for Strengthening Co-Operatives in Cambodia



Note to the trainer

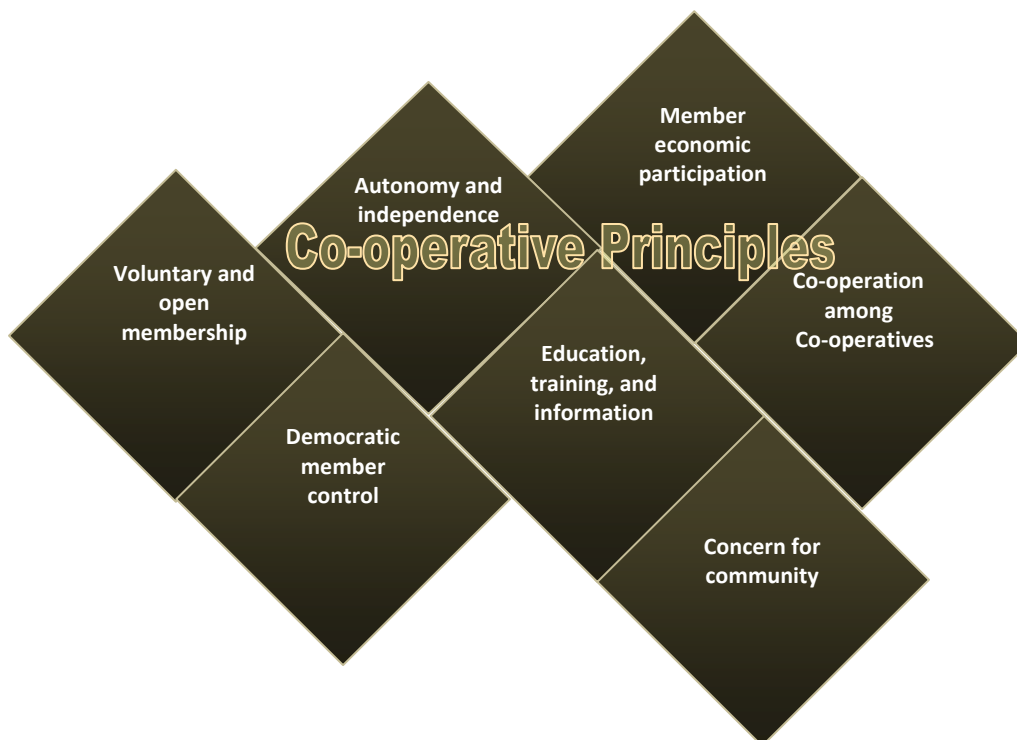
It is important to remember to consider the following:

1. You are working with active participants instead of passive recipients, in many cases even do, you the trainer may know the answer, do ask:
 - Why? to the people you are helping
 - Ask them to show you how?
 - and add lots of examples, a few concrete work assignments and more examples
2. Always keep MOTIVATION
3. Use simple examples
 - like taking a branch and ask a person to break it, in two pieces and now take a good number of branches and ask another one to do it,... use this as a analogy for how if they work together they will have more power to for example negotiate better prices, etc.
 - Always before explaining ask what do you think?
4. It is important to consider the timing
 - The learning experiences farmers will seek out is direct related to their own experience, so it will be better to teach closing entries when they are experience the need to learn it, so more latter on after the Co-operative has been formed.
 - And it will be better to teach how to make decision at the beginning when they need to learn how to elect their board of directors. Usually adults seek out a learning experience because they have a use for the knowledge
5. You the trainer need to be familiar with:
 - effective ways to present the content using a variety of techniques
 - how to deal with problem participants, keep the momentum going, and how to define what participants have learned
 - Remember that hold participants attention and the ability to handle scepticism or rejection is key qualities
 - For participant that talk too long, ask to summarize so you can take notes,... too little, ask direct what the person think,....
6. The examples that the trainer will be using need to be relevant to farmers owns life experience
 - they will learn best in they have some control and active participation over the process
 - use their own knowledge and experience from which to draw and apply to the current situation

- be task oriented
7. For the case study
 - set learning expectations at the beginning
 - capture the participants attention
 - share a personal anecdote and ask questions relevant to the subject to get towards the importance on learning it
 - Use your body language, eye contact with the participants
 - At the end ask for feedback, do not defend or argue, be sure to thank them for their input
 8. Also ask questions that test understanding, such “Why did you... ?” or “What would happen if... ?” or “What else do you... ?” or “What do you do if...?”
 9. DO: prepare, make the objective clear, make the session participatory and encourage questions

1. INTRODUCTION

Always emphasize that all co-operatives around the world are guided by the same seven principles:



Note: for the trainer: Ask each Board member to explain one principle and share with the group an example.

Another good example to build trust among members either with all of them at the beginning of the co-operative formation or just to do it with the Board of Directors is to ask first if they trust each other?

After that you ask really do you?, and ask one specific person if he/she trust you, so of course the person will said yes, so you ask the person to stand and position her/him on top of a small table or chair, now you mention to another two members that you trust them and you need their support, so you tell them to come close to you, one on your left and the other on right side.

So you share with the group that the person on the table trust me as each one of you trust your



savings in the Co-operative, as you trust your family income, the rice, with the board members. So you ask the person to face opposite to you (giving you their back) to let herself/himself fall backwards, and that you will catch her/him, with the support of the other two person beside you. Now you do it again but this time while saying “because they trust you so much” you ask the person to close hers/his eyes. And

so you do it with another 4 or 5 participant.

Before anything ask them how they feel, how this experience was, etc.

This exercise reinforce trust, it is an important moment to explain why the treasure, the president, the secretary, etc. need people around them for support. So it is a good analogy to mentioned about the role of committees and how they provided support, as the other two persons were providing me with support as I was catching the person falling.



2. Accountability

A Co-operative creates some common value for its members. To assure that that happens, the board of directors, on behalf of the members, assumes the total accountability for the Co-operative. That is, the board is answerable to the members that value is produced consistent with member interest.

Members depend on the Co-operative board effectively to exercise authority on their behalf to assure that their assets are protected and the value they want is produced.

"How can it be done?"

For example, all important transaction should always have two or three people signatures. Always report to all members a summary of the transactions and show how it was done, for example the price for sale and buy rice. Key transaction as the sale of the rice should always have two person negotiating the business deal.

Here are some critical aspects of Policy Governance that enable a board to fulfill its accountability

- Trusteeship--governing on behalf of others, and that trust in the leadership is identified and held with regard, as is the board obligating itself to link with the members to identify what is expected and to report accountability.
- The board explicitly defines what is to be expected regarding organizational performance: what define success, what is to be produced, for whom, at what cost.
- To be accountable, the board needs to account for all Co-operative activity. Policy Governance defines the delegation to the elected board and the way in which pre-established criteria are monitored.
- The board organizes itself to be accountable, speaking as one, defining how it will get its work done, and how it will report its accountability.

A financial statement form from CEDAC. The form has a header with the CEDAC logo and Khmer text. Below the header is a table with columns for 'ឆ្នាំ' (Year), 'ខែ' (Month), 'ថ្ងៃ' (Day), 'ប្រភេទ' (Type), 'ប្រាក់ចេញ' (Outgoing), 'ប្រាក់ចូល' (Incoming), 'សំណុំ' (Set), and 'សរុប' (Total). The table has several rows for data entry. At the bottom of the form, there are fields for 'អំពី ថ្ងៃ' (From Day), 'ទៅ' (To), and 'ស្រុក' (District), along with a signature line and a date field.

Accountability is the capacity to call officials and members of Co-operative to account for their actions. In addition both internal and external accountability is needed. Transparency entails low-cost access to relevant information. Reliable and timely economic and financial information is a must for the members. It is essential not

only that information be provided but also that is relevant and understandable. Both the public and members and other external authorities should know the economic and financial information.

Note: share examples of accountability. Some of them will be how to deal with a member that need rice but does not have funds to paid for, what will you do? It is a policy on place?

If the treasure did not register a transaction?, what are the consequents?

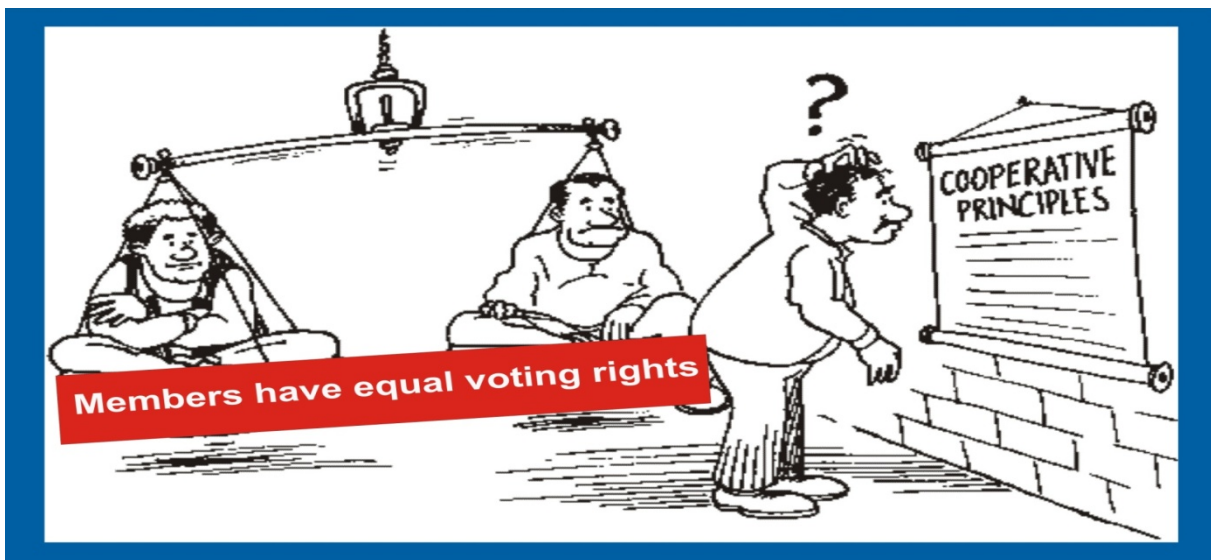
What will happen if I borrow a bicycle from a member and I break the lights, who is responsibility is to fix it? How this relate to the Co-operative?

3. Democratic member control

The user is: the owner, has the control and benefits

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions.

Men and women serving as elected representatives are accountable to the membership. In co-operatives members have equal voting rights (one member, one vote).



Board and senior staff should keep members informed on an ongoing basis, either through general member meetings or through other communication tools.



Members Exercise Control by:

Voting at annual and membership meetings

Electing Board of Directors

Making decisions on major cooperative issues

The Royal Decree it is the legal frame in which co-operatives base their activities, and indicates how the co-operative from the legal point of view should carry its actions.

Note: Ask participants:

A person has visited the community and wants to purchase the rice the price he offer is \$ X

He his leaving in 25 min. and the person in charge of marketing (from the Board) is not sure what to do. He asks the other 3 board members that are in town what to do. Two wants to sell it, the other two do not think it is a good price. What would you suggest?

At the discussion it will come up the positions of the Board members, it is a good way to introduce if any member has more rights? It is there a policy to follow, on what to do, as per example prices, procedures?

The answers are on your own policies and Royal decree and if you do not have an answer it is a good time to decide as a group what to do if a situation like this presents.

4. Royal Decree

Note: this information (summary of the Royal Decree) should be introduced gradually and with examples, and in more than one session, it has a lot of important elements that latter on, are key contents for the success of the Co-operative.

The Royal Decree defines the agricultural Co-operative as a commercial enterprise, which is democratically managed by its members.

In the statute, the following items are indicated:

- Name
- Each share equal in price
- Conditions of share payment
- Obligations and rights of members

- Financial responsibility of members
- Criteria and conditions of resignation and dismissal.
- Procedural way of keeping books and files
- Conditions of convening the congress
- Composition of executive board
- Conditions of convening the meeting of the executive board
- Composition of the supervisory committee
- Conditions of convening the session of the supervisory Co-operative
- Conditions of financing the agricultural Co-operative and criteria for the estimation of that financing
- Condition of dissolution by the community
- Procedures of arbitration
- Procedures of statute changes
-

The agricultural Co-operative shall be subject to regulation in effect on outside auditing and inspection. Auditing the agricultural Co-operative shall be subject to Sub-decree.

Any members, who fully meet the requirements of the Co-operative, shall be entitled to:

- attend the congress and vote on equal basis with the other members regardless of the amount of capital invested in the Co-operative,
- elect and to be elected in the structure of the Co-operative in conformity with the provisions of this Royal Decree,
- be informed of the economic standing of the Co-operative by the Chairman or the supervisory committee,
- ask for the convocation of extraordinary congress to discuss and approve any issue when at least one-third (1/3) of the members request to do so,
- ask for inclusion in the agenda of the congress of issues which are beneficial to the Co-operative,
- receive respective dividends,
- hire and use services, constructions and material and equipment belonging to the Co-operative like the other members,
- participate in all activities of the Co-operative,
- Receive according to the statute the shares paid in full plus interests or reimbursement when he/she resigns or is dismissed or in case there are some amount left from the payment of losses by the Co-operative according to the proportion of the losses.

However, any member, who is late in payment as required by the statute or fails to carry out his/her responsibilities to the commune, he/she shall not be allowed to take part in decision-making or to receive dividends by the Co-operative.

Part 3 Structure of the Co-operatives and Responsibilities

Article11

The congress is the supreme and highest to issue approvals make decisions on behalf of the Co-operative. All members shall attend the ordinary congress once a year, to be held three months at the latest after the previous fiscal year.

Article12

The congress shall:

- give approval on the minutes of the Executive Board or the supervisory committee, endorse or change the statute and the internal regulation,

- elect from among the members of the Co-operative the Chairman, members of the Executive Board of the Supervisory Committee through secret vote; the congress can remove positions from those elected and set dividends for them, if any, define the responsibilities of the board of executive and the supervisory committee,
- review, approve or revise accounts on the management, and decide on whether or not to give the managers exemption,
- define the distribution of profits and money to be refunded to members, based on the criteria stated in the internal regulation,
- approve the program of activities and budget for the next fiscal calendar,

Article13

The congress can make discussion, adoption and approval only when two-thirds of members of the Co-operative are present.

At the congress, one member shall have only one vote, and shall not be allowed to send representative. **The Chairman of the congress shall be elected through secret voting.**

Article14

The board of Executive shall be the executive body of the Co-operative. The president and members of the Board of Executive shall be elected by the congress. The board of Executives shall consist of three (3) to nine (9) members, including the president. At the first congress, one-third (1/3) of the board of executive members shall be appointed for one-year term, another one-third (1/3) for two-year term and the last one-third for the three-year term.

Parents, siblings, cousins, spouses shall not be allowed to be members of the Board of Executives altogether.

The Board of executives shall be elected for three-year term (3) and shall not be elected for more than two (02) consecutive terms.

The president of the board of executives is the person who represents the Co-operative and who convenes the meeting of the board of executives at least once every two (02) months.

The Board of executives can call a session on the request of majority of its members.

The board of executives can conduct its session only with the presence of half (1/2) of its members. A resolution can be accepted only with the absolute majority of the members present.

In case the vote is equally divided in two (02), the voice of the president shall prevail.

Article15

1-Rights

-Within the limitation provided in this Royal Decree, the statute and resolutions of the congress, the Board of Executives has sweeping power to lead and manage the Co-operative.

2-Obligations

The Co-operative shall have the following obligation:

-Keep or ordered to keep updated and to make the Co-operative economic and financial affairs consistent with prevailing practices.

-Make separate accountings for business transactions with members and non- members

-Present to the congress reports on managerial activities of the past fiscal calendar, including annual reports of activities balance sheet and business accounts, on programs of actions, including training of members and personnel and on a planed budgeting for the next fiscal calendar,

-Prepare documents needed to conduct supervision as required by law, and present them to the congress

Article16

Members of the Board of Executives and the chief supervisor shall have respective and joint responsibilities for any mistakes they make when fulfilling their missions, not to mention the responsibilities for criminal acts.

Article17

The supervisory Committee is the internal permanent supervisory body of the Co-operative. The Committee only works for the interest of the Co-operative. The Supervisory Committee Chairman shall be elected from among its members. The Supervisory Committee can suspend the role of the Board of Executives fails to accomplish or is unable to carry out its obligations; the Supervisory Committee can take the place of the Board of Executives. But this shall not exceed three (03) months. Within this period .the Supervisory Committee shall call extraordinary Congress to elect new Board of Executives.

The Supervisory Committee is made up of three (05) members who do not sit in the Board of Executives or are not paid staff of the Co-operative.

Article18

The supervisory Committee can inspect or other the inspection of books of accounts, files, cash transaction manual, accounts and assets of the Co-operative any time, and control the regularities of inventory list and balance sheet.

The committee can control whatever it deems necessary. The Supervisory Committee shall inform the board of Executive about what it has observed, and raise these matters in its annual reports presented to the congress. If needed, the supervisory Committee or the Board of Executives or the extraordinary congress shall meet.

Article19

The functions of the board of Executive and the Supervisory Committee shall not enjoy any remuneration. However, the congress can allocate money to cover expenditures by their members in discharging their respective function.

Part4 Capital

Article20

The sources of the Co-operative fund shall come from:

- Shares subscribed and paid by members,
- Reserve fund deducted from surplus money,
- Gifts, heritage or contributions to be in the Co-operative assets and in separate accounts,
- Loans from third parties, and
- Loans from members in the form of deposits or savings.

Article23

Every Co-operative shall create a reserve fund as required by Laws, by deducting twenty (20) percent from the surplus money after tax payment until the reserve fund is as much as five times the total amount of shares already paid. Profits from business transactions with non-members shall also be channeled into this reserve fund.

Every Co-operative shall create fund for training and education of managing members and leaders of the managing bodies as well as staff, by deducting three (03) percent from net surplus money annually. Reserve fund shall not allow to be distributed to members.

Part 5 Transformations, Dispute Settlement

Article24

Congress of the agricultural Co-operative can dissolve the Co-operative and join another or many other Co-operative through the incorporation of another Co-operative or joining together to form another new Co-operative.

Article26

The congress shall decide on the dissolution of the Co-operative when the following reasons arise:

- No activities for two (02) consecutive years,
- Accomplishment or the end of the objectives,
- The amount of debts is so high-more than half (1/2) of the capital, and
- Bankruptcy or constant shortage of fund.

Article27

The auditor shall assume all power from the board of Director, the supervisory committee and the Chief inspector from the date of appointment and shall use the power for the shall purpose of auditing.

Article28

Apart from the right of every person to recourse to the Court, all disputes arising from the implementation of this Royal Decree between members of the Co-operative, between members and the Co-operative, between the internal units of the Co-operative or between outside unit and the Co-operative, shall be subject to the arbitration of the Minister of Agriculture, Forestry and Fishery, who shall appoint an committee, which consists of one representative from the Ministry, one representative from the administration of commune/sangkat and a number of person who are not involved in the disputes and who are viewed to help in the settlement of disputes.

Chapter III Union of Agricultural Co-operative

Article29

Two or an upward of two Co-operative can join together to form union of Co-operative.

The name of the Co-operative, which emerges from the new formation, must be mentioned with the word "union of Agricultural Co-operative".

Article49

Pre-Co-operative for agriculture is a provisional agricultural Co-operative, which cannot be in existence for more than three (03) year. After that period, the Pre-Co-operative shall have two options: either to become Agricultural Co-operative, pursuant to the provisions of this Royal Decree, or to dissolve themselves.

Article50

The Pre-Co-operative can change into a single Co-operative or join other Pre-Co-operative with the same purpose.

Article53

This Royal Decree come into force as of the date of royal signing.

Phnom Penh, the 16th of July, 2001

Signed Norodom Sihanouk

Humbly submitting to the king
for signature Prime Minister

N: 145

Signed

To duplicate for distribution

Hun Sen

Secretary General of the Royal Government Nady Tan

Phnom Penh, 18th of July 2001

N: 265

Authentically duplicated from the original Text and forward to

- H-E. Heads of the departments under the Ministry of Agriculture, Forestry and Forestry
- Heads of the municipal-provincial departments of agriculture, forestry and fishery for implementing Phnom Penh, 30th of July, 2001

For the Minister Director General Koum Saron

5. Governance

The effectiveness of co-operatives is closely linked to the ability of the members of the governing board. Good governance adds real value to the success of any organization.

- Do you have the right people on the board, including the Chair?
- Thematic business awareness sessions to be provided to board members on a regular basis
- Enhance your two-way communications with your owners, the membership. When boards and organizations lose touch with the real felt needs of their owners, they tend to approve strategies and take risks that are not in the long-term interests of the membership.

Note: Ask one person to stand and share only (in a secret) with her/him, a comment that could be relevant to their



reality in the circumstance, could be “I hear that last week the rice price went low, some member think that we should sell the rice now, I believe the person in charge of marketing wish to wait another week and consult with the Board of Directors” so you ask this person to share it with another member, also in a secret,... and in the same way with other four (one by one),... at the end you ask the last person to share what she hear,... always there is a change on the content,.... This example will bring the importance of clear communications with all the members. So ask the participants what do they think?

This will be a good moment to share about how important it is to avoid gossiping and to relay on meetings to discuss and share information, and ask question for clarification. Member with these practices will build accountability and trust between each one.

6. Tips for board chairs

Respect the position

1. *Remember why you meet:* Meetings are intended to solve problems and make decisions. A chair's job is to be a leader that causes change - to move the co-operative forward from where it is currently to the next place in its journey. The chair should be able to lead the meeting in such a way as to solve problems and make decisions.
2. *Be a leader:* The chair is the leader of the board - as such, they are obligated to lead. This cannot be delegated to anyone else. The chair should be a leader in:
 - o character - acting with integrity always;
 - o competence - being educated in what is needed to do the job;
 - o courage - not being afraid to make the tough decisions and confront difficult issues head on; and
 - o calling - don't select someone as chair unless you believe in your gut that this is how the chosen individual can uniquely serve the co-operative - that they are the best person for the job at this point in time. Choose someone who will serve because they are the best positioned to add value in this way.

Being a leader with integrity also means facilitating chair succession.

Respect the process

1. *Create the agenda:* A chair knows how to create and follow an agenda for every meeting no matter how short or long. This helps the chair keep the group focused on the agenda items.
2. *Stay aligned:* Chairs know how to align the agenda with the work plans of the board: great chairs craft the agenda in consultation with management and ensure it aligns with the items on the board's annual work plan.
3. *Respect time:* Chairs are disciplined. They are disciplined in managing the time allotted for meetings and therefore set the tone for others to discipline themselves to manage the time. They start promptly, keep to a timed agenda, and end on time. Directors are investing their valuable time in board meetings and this effort should be honoured with due respect.
4. *Call for the vote:* A great chair knows when to call for the vote ... and when NOT to call for the vote too quickly. It is the skill and art of balance: of allowing people enough time to process all of the information at hand - but not belabouring the point either - and bringing closure once they sense they have consensus.

Respect the people

1. *Understand people:* Chairs should understand how to work with people of different opinions, personalities, problem solving and learning styles/types.
2. *Listen to people:* Chairs know how to listen. They can listen to the squeaky wheels and the silent types! When individual directors are not adding to the deliberation, great chairs go out of their way to draw out their opinions. The value of diversity on boards is exactly that - they bring diverse views, experiences and skills. It is incumbent upon the chair to ensure all of these views get aired.
3. *Communicate with people:* Chairs are good communicators. It is the job of the chair to set the expectations. People will rise to the expectations placed on them. The higher a chair sets the bar - the higher degree of meeting effectiveness there will be. The more effective the meeting - the more effective the board. The more effective the board - the more effective the co-operative! Often it is part of the chair's role to make presentations to, and to hold meetings with, key stakeholders and members.
4. *Keep your commitments to people:* Chairs can be counted on. People expect to be able to take the chair at their word. Chairs should never make a promise they cannot keep and they should not be afraid to admit it when they don't have the answer. If the chair breaks a commitment people lose trust not only in the chair, but also in the co-operative.

7. Management's role

- Risk identification: what is the universe of potential uncertain events or activities that could affect the ability of our organization to achieve our strategy (buying, milling, storing and selling rice)?
- Risk assessment and measurement: what is the likelihood (probability of occurrence) and impact (cost or benefit of occurrence) for each of these?
- Risk interdependence: how are these risks interrelated - if one occurs, to what extent would this increase or decrease the likelihood or impact of other risks?
- Risk mitigation: what steps should we take to reduce the likelihood and/or impact of each of these risks? This involves a cost-benefit analysis of the 4 potential mitigation strategies: accept, transfer (e.g. created teams or committees), eliminate, control.
- Risk monitoring: what residual risk (original minus effects of mitigation) is left, and how are these risks changing over time?
- Risk reporting: to whom should we communicate the outcomes of the previous steps, how and when? This includes senior management reporting to the board, as well as reporting to the membership and public.

- The cycle then repeats: actual results from mitigation, monitoring and reporting feed back to ensure a more complete and updated risk inventory and assessment.

The board's role: risk governance

- Risk direction: how does our understanding of potential risks affect our approval of the strategic plan? In particular, which objectives are likely to be more challenging to reach? And which objectives are more important that we hit precisely vs. actual performance being in a wider range (risk "appetite" or "tolerance")?
- Risk oversight: how well is our management managing risks? In particular, when we see variances between planned and actual results, are these due to (1) unanticipated risks, (2) risks not accurately assessed, or (3) risks not optimally mitigated? And therefore, what steps will management take to improve risk management as a result of these learning's?
- Risk control: how confident are we that the organization is going in the direction we approved? In particular, is management allocating scarce resources to mitigate the right risks? How effective are controls in areas of higher risk and materiality?
- The cycle then repeats: results of risk oversight and control feeding back into the strategic planning and direction setting process.

8. CASE STUDY - CLOSING ENTRIES

Situation: 35 Rice farmers are working together as members of a recent registered co-operative. The new recently elected Treasure of the Board of Director received from the previous the following information:

1. As per Aug 31st, 2010, we had 8.5 tonnes of rice in the warehouse.
2. We have sold 18 tonnes of rice already mill last week (Sept 8th) at 2.2m/ton
3. They also mentioned for milling the rice they expense (Sept 2nd) 600,000 Riels
4. They received income from selling rice to members. (1 ton at 2.1m/ton) for the amount of 2.1m Riels
5. And there was given in credit 1 ton to a family member at the price of 2.15m/ton
6. On Sept 1st rice was purchased. 30 ton at a price of 1.1m/ton
7. The expenses on transportation accumulated 400,000 Riels
8. At the saving group communal we had as Aug 31st 5m Riels in savings

What it is the financial situation of the co-operative as today? Mentioned in you opinion two mayor risk that the group could face in the future. Uploaded by NOY Kimhong

Notes:

Divide the group on teams of 3

- Each team will calculate and analyze/discuss and after provided information to all Board Members

CASE STUDY				
Sell	18	2200000	\$	39,600,000
Buy	30	1100000	\$	33,000,000
		Diff.	\$	6,600,000
sold to member			\$	2,100,000
milling			\$	600,000
transportation			\$	400,000
own as Ag			\$	5,000,000
Sub-total			\$	12,700,000

US		Riel
550	4000	\$ 2,200,000
275	4000	\$ 1,100,000
	4000	1650
150	4000	\$ 600,000
	4000	3175

