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P. Fankhauser · June 1953.

THE COOPERATIVE MOVEMENT IN EGYPT

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COOPERATIVE MOVEMENT IN EGYPT.

I. History of the Movement:

The cooperative movement in Egypt is nearly 50 years old. However the fellaheen have for centuries employed certain co-operative principles in their day to day activities. The village threshing floor is community property. Mutual assistance characterizes some types of field work. A deep sense of loyalty to the village is found in its inhabitants.

Employment of these underlying elements of cooperation in the betterment of the social and economic conditions of the fellaheen began about 1907. At that time Omar Lutfi a bey of a high ranking family urged the establishment of cooperative societies. He had studied the movement in Europe and was convinced it had a place in Egyptian economy. Another individual who gave support to the formation of cooperatives was a ruling prince Hussein Kamil who became a Sultan of Egypt.

The real motive which lead to the organization of the initial societies was the financial crisis of 1907. The first institution formed was the Cooperative Financing Company located in Cairo. Omar Lutfi died in 1911. Prior to his death he assisted in the establishment of 17 cooperative agricultural societies. Due to the prestige of Hussein Kamil and Omar Lutfi the cooperative movement received strong support during its initial stages from many people of influence.

Following the death of Omar Lutfi, his brother Ahmed Lutfi took over the leadership of the movement and worked for the enactment of enabling legislation. The outbreak of World War I, halted any action in this regard and the societies founded by Omar Lutfi and his co-workers gradually went out of business. The Ministry of Social Affairs in its report "Social Welfare in Egypt", 1950, gives the following reasons for the break up of the societies.

1. "The lack of government support for the movement, and the absence of any legislation to guide and organize it."
2. "The comparative novelty of co-operative theory and practice in Egypt."
3. "Absence of a higher authority to finance and supervise the cooperative movement."

Active government support of the cooperative movement began in 1923. The movement was considered as a possible means for combating the high cost of living and increasing the income principally of the fellaheen. Legislation was enacted which recognized the existing societies and gave them legal status. However, the organization of new societies was restricted to agricultural cooperatives. The

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Ministry of Agriculture was given the responsibility for the organization and supervision of the societies and a Cooperative Department was established in the Ministry for this purpose. The Act of 1923 was amended in 1927 to permit the organization of societies in all fields. By the end of 1930 a total of 297 societies had been formed.

In 1939 the Cooperative Department was transferred to the Ministry of Social Affairs, the Department enlarged and the work of organizing societies given renewed emphasis. This increased interest in cooperatives was stimulated in part by conditions arising with the outbreak of World War II which again caused consumers to look to group action as an aid in meeting their food problems and as a means for reducing costs of living and production of food and fiber.

In 1944 new legislation pertaining to cooperatives was enacted. This is known as the "Cooperative Societies Law No. 58 of 1944" and is the Act under which cooperatives now operate. Among other things, it provided for strengthening the control of the Cooperative Department over certain phases of the activities of the societies and made provision for greater participation on the part of the members in the affairs of their organizations as they become competent to exercise this responsibility.

II. Growth and Present Status:

While the cooperative movement in Egypt began about 1907 its rate of growth was slow until about 10 years ago. The table below shows for selected years the number of cooperative societies in existence their membership and the valuation of their transactions.

<u>Year</u>	<u>Number of Societies</u>	<u>Number of Members</u>	<u>Value of Transactions</u> L.E.
1925	139	10,673	-
1930	514	48,317	475,479
1935	703	69,404	918,051
1940	821	85,271	1,483,382
1945	2018	781,812	9,338,922
1950	2033	778,783	12,129,821

About two thirds of the societies are located in lower Egypt. At the end of 1950 the distribution of societies among the provinces, cities, towns, and other locations was as follows:

<u>Lower Egypt</u>	<u>Number Societies</u>	<u>Membership</u>
Beheira	198	43,432
Dagahliya	240	80,588
Ghabiya	207	87,406
Fouadia	62	21,802

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Mimufiya	191	61,826
Shargiya	198	75,092
Qalyubia	105	52,893
	<u>1201</u>	<u>423,039</u>

Upper Egypt

Aswan	133	42,861
Asyut	81	23,773
Beni Suweif	51	21,939
Fayoum	62	19,729
Girga	86	22,696
Giza	83	52,198
Kena	65	22,180
Mina	93	21,399
	<u>669</u>	<u>226,775</u>

Cities, Towns, other locations

Alexandria - W. Desert	62	46,001
Cairo	79	68,178
Damietta	3	3,298
Canal	6	6,433
Suez	2	2,529
Sinai	3	1,540
Southern Desert	2	386
Red Sea	2	604
	<u>163</u>	<u>121,969</u>

For the year 1950, the business transactions of the societies totaled L.E. 12,129,821. The 778,783 members owned shares of stock in their organizations valued at L.E. 1,378,978. The cooperatives had total reserves of L.E. 771,443.

About 80 percent of the cooperatives are agricultural societies. A breakdown of societies as to kind which were in existence during 1950 shows the following categories.

<u>Kind</u>	<u>Number</u>	<u>Membership</u>	<u>Transactions L. E.</u>
Agricultural	1685	528,770	5,685,132
Consumer	317	243,221	3,556,294
Industrial	3	516	1,597
Marketing	10	2,245	46,995
Petrol	1	2,627	1,040,271
Drugs	1	694	418,050
Thrift	1	710	791
Wholesale	15	(1,911)	1,380,691

Membership in the 15 wholesale cooperatives is composed of local

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cooperatives and does not include individuals. The most active of the marketing cooperatives is located in Alexandria. Among the products handled by this society are truck crops.

If it is considered that each membership represents a family of 5 persons the cooperatives at the close of 1950 were serving about four million people. The agricultural cooperatives on this basis were serving in all capacities approximately three million of the fourteen million people who obtain their living from the land or about 20 percent of the farm population. Agricultural societies now have been established in nearly half of the 4000 villages.

The Agrarian Reform Act passed in September 1952, contains a section pertaining to cooperatives which further strengthens the role of the government in the movement and which may be of great consequence with respect to the future development of cooperatives in Egypt. An English translation of the section of the land reform law dealing with cooperatives reads as follows:

"An Agricultural Cooperative made of peasants who benefit from the redistribution of land and the peasants who own no more than five feddans shall be set up by the force of this law in every village".

The Egyptian Gazette in its September 17, 1952 edition in reporting on the Reform Act stated:

"Every peasant who owns five acres of land or less must join a cooperative society. Peasants will hand over their crops to the cooperative society for marketing, and in return will receive seeds, cattle and machinery they need. Should the peasant refuse to pay the installments on the land allotted to him, or the price of his shares in the cooperative societies, or should he refuse to hand over his crop, the society has the right to take over his land, unless the refusal is based on valid grounds."

A resume of the Agrarian Reform Act prepared by Paul Maris, Point IV Consultant, in September 1952 sets out the following as provisions pertaining to cooperatives:

1. All peasants owning 5 feddans or less are made members of cooperatives by force of law whether purchasers of expropriated land or not.
2. Ordinarily one agricultural cooperative will be established in each village. However, the Minister of Social Affairs can authorize exceptions.

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3. Rules and regulations for the operation of cooperative societies are to be formulated by the Minister of Social Affairs.
4. The managers of the cooperatives are to be named by the Minister of Social Affairs. One manager may supervise more than one society if necessary.

The cooperative societies are expected to perform the following functions:

1. Issue agricultural loans to members according to the needs of their lands.
2. Provide members with seeds, fertilizers, cattle, agricultural machinery and the means of storage and transport.
3. Organize the tilling of land and exploit it in the most efficient manner. Combat pests, dig canals and provide drainage.
4. Market main crops to the account of the members and deduct land payments, taxes, agricultural and other loans from the returns.
5. Render all other agricultural and social services.

The Agrarian Reform Act looks to the cooperatives to be organized under its provisions as safeguards against the failure of the fellaheen to meet their obligations. The new societies to be established under the act will be subject to a high degree of government management and control. This is justified by the thinking on the part of the government that special, intensive guidance and assistance is required in order to prepare the membership for farmer ownership and control. It is expected that about 350 new cooperatives will need to be organized in conjunction with other land reform activities. It is estimated that five years will be required to complete the organization of these cooperatives.

In discussing the provisions of the Agrarian Reform Act pertaining to the organization of cooperatives and the compulsory membership features, with the Director General of the Department of Cooperatives, in May 1953, the Act was interpreted to mean that the joining of a cooperative society is compulsory only on the part of those individuals who choose to acquire lands distributed in accordance with the terms of the Act. The attachment of this meaning is at variance with earlier interpretations. It is believed to be the one under which the Department of Cooperatives is proceeding in its organization of new societies.

III. Organizational Structure:

All cooperative societies are now operating under Law No. 58, passed May 30, 1944. The principal provisions of this law pertain to (1) the rules, regulations and by-laws of societies (2) the functions of the Department of Cooperatives, and (3) the establishment of cooperative councils and unions. This law was designed to improve and strengthen previous legislation covering the organization and operation of cooperatives. The Ministry of Social Affairs in its 1950 report states "- - - This new law has strengthened the control of the department over cooperative societies, (and) has on the other hand made provision for the people themselves to take charge of the cooperative movement - - -."

The Law is specific regarding the rules and regulations and the provisions of the by-laws to be adopted by cooperative societies. The more important requirements which societies must meet in order to qualify for a charter from the Department of Cooperatives are as follows:

1. Only societies having as their aim to raise the material conditions of their members through cooperative principles by purchases, sales, credit, land improvement and similar enterprises can be considered as Egyptian cooperative societies.
2. A society must have at least 10 members, with membership open to any citizen of good reputation.
3. Service to non-members must be limited to terms fixed in the by-laws. In no case can loans be made to non-members.
4. The value of shares must not be less than PT. 50 or more than PT. 200. The ownership of one share entitles the holder to participate in all services offered.
5. The office of the society must be located in its area of operations. No more than one society can be established in an area except in Governorates and capitals of provinces.
6. The liability of the members must be stated. Societies are of two categories according to the liability of the members, namely:
 - a. Societies of limited liability.
 - b. Societies of unlimited liability.
7. The by-laws of the society must be in conformity with the provisions of the Law.

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The procedure to be followed in the establishment of societies is set out in the Law as is also the organizational structure of societies. The procedures provide for founders who develop the articles of incorporation and the proposed by-laws. These documents are submitted to the Department of Cooperatives for review with a petition for a charter. If it is found that the articles and by-laws are in conformity with the Law the society is registered and may then begin operations.

The Law provides for the administration of the affairs of societies through two committees. These are (1) a managing committee which conducts the business of the society and (2) a supervisory committee which supervises the management. Each committee is composed of at least three members who are elected by the members at their annual meeting. The functions of the two committees cannot be combined.

The managing committee represents the society legally in all its rights and obligations. All acts of the managing committee, except those which can be carried out only with membership approval and which are in accord with the by-laws, are binding on the society. The committee is required to keep certain records and accounts and render reports to the membership and the Department of Cooperatives.

The supervisory committee represents the membership. It has the right to suspend the execution of any decision taken by the managing committee. In such case the matter must be brought before a special meeting of the membership, called within 5 days, for decision. The action of the called meeting is valid only if one half of the members are present. In event a quorum is not present a second meeting must be called. Should a quorum not be secured at this second meeting, the action of the managing committee prevails. The supervisory committee may demand of the managing committee any information it desires on the conduct of the society, examine the records and correspondence, verify the funds and take an inventory of the stores of the society. The committee may call meetings of the membership and must approve all transactions of a member of the managing committee with the society.

The annual meeting of societies are held during the two months following the close of the fiscal year. The requirements for a quorum are one half of the membership except in certain specified instances when three fourths of the membership must be present. In case a quorum is not present a second meeting is held within 15 days and the members present constitute a quorum except in certain specified instances when one half of the membership must be present. At the annual meeting, the membership receives reports of the years business, is informed of the work of the committees, elects committee members and transacts such other business as may be presented. Each member is entitled to one vote regardless of the number of shares held and members must with certain exceptions be present to vote.

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Provision is made in the Law for the disposition of earnings. The final excess of income after payment of all expenses and charges is defined by the Law to be the net profit of the society. This net profit may be used as follows, after deducting the profits from non-member operations, which must be credited to funds allocated for material and social development of the region where the society functions.

1. Not less than 25 percent to be added to reserves, until reserves equal one half the paid up capital when the amount of profits to be set aside as reserves may be reduced to $12\frac{1}{2}$ percent. Societies which do not make loans need add only 10 percent to reserves. Societies with unlimited liability must add 75 percent of the net profits to reserves.
2. Payment of dividends on share capital at a rate not in excess of 6 percent. The amount of interest paid is calculated on the nominal value of the shares.
3. A portion as specified in the by-laws may be allocated for the material and social development of the area.
4. The remainder may be distributed among the members as a patronage dividend in proportion to each member's transactions.

The Law also specifies the use to be made of profits in case the losses of the society reduce the paid up capital or the reserve fund below one fourth of the paid up share capital. Also the Law permits the establishment of an extraordinary reserve fund when the required reserves become double the paid up capital.

Certain rules for lending, borrowing, and deposits are set out in the Law which must be followed by agricultural societies which make loans. The principle of these rules are:

1. Loans may be made only to members.
2. Loans may be either short-term or medium term.
 - a. The maximum maturity of short-term loans is 14 months.
 - b. The maximum maturity of medium-term loans is 10 years.
3. Short and medium term loans of three years maturity must be secured by one or more of the following:
 - a. Personal guarantee of one or more solvent persons.
 - b. Pledge of acceptable collateral.

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- c. A realestate mortgage.
- 4. The rate of interest to members is 5 percent now.
- 5. Demand or term deposits may be accepted from members and others.
 - a. Demand deposits draw no interest and cannot be used by the society.
 - b. Term deposits draw interest and can be used by societies up to 70 percent of their amount.
- 6. The members at their annual meeting must decide.
 - a. The maximum amount of loans to be made.
 - b. The maximum loan to any one individual.
 - c. The maximum amount of deposits to be accepted.

The cooperative societies registered under the Law have legal entity and are under the jurisdiction of the courts. They also enjoy certain privileges which pertain largely to exemption from certain taxes and fees, reductions in freight rates, government laboratory fees, and the price of goods purchased through the Agricultural Credit and Cooperative Bank for resale to members. The societies may also collect from members through the process of administrative seizure.

The following functions of the Department of Cooperatives are illustrative of the controls and responsibilities given the Department by the Law.

1. Sponsor the cooperative movement and assist in the formation of new cooperatives.
2. Registration of new societies, approval of their by-laws and giving public notice of their purpose etc.
3. Review of decisions taken by administrative bodies of societies with right of suspension if deemed contrary to law, to the by-laws or to cooperative principles.
4. Auditing of the financial affairs and verification of the records of all societies. Accounts are verified by Department auditors once a year.
5. Attend annual meetings with the right of debate but without the right to vote.
6. Call special meetings of the membership when believed necessary.

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7. Institute legal proceedings for the dissolution and liquidation of any society.
8. Exercise control over all cooperative unions.

The work of the Department of Cooperatives is carried out through several sections. Their names give an indication of the scope of activities of the Department.

The sections are:

1. The Agricultural Cooperative Section
2. The Consumers Cooperative Section.
3. The Auditing and statistical Section.
4. The Legal Research Section.
5. The Agricultural Economics Section.
6. The Social Welfare Section. .
7. The Supplies Section.

The Department is in charge of a Director General who has a number of assistants and section heads. The work in the field is conducted largely through inspectors, auditors and organizers or field men. At present there are 27 inspectors, 50 auditors and 70 field men designated as organizers. The auditors conduct an examination of the financial affairs of each society at least annually. The field men are expected to call at each society monthly and to assist in the management and direction in the conduct of the affairs of the cooperative. The expense budget of the Department in 1950 was about £ 42,000. The Department now has in training a special force of organizers who will assist in the establishment of new societies under the provisions of the Agrarian Reform Act.

The Law provides for the creation of two types of cooperative councils and for the organization of cooperative unions. The purpose of the Councils is to assist the government in the direction of the cooperative movement and to give the societies a greater voice in the control of their affairs. The Councils are (1) the Superior Advisory Council of which the Minister of Social Affairs is Chairman and (2) the Advisory Cooperative Council of which there is one in each province. The Governor of the province is chairman of this latter Council. The cooperative unions are organizations of societies which in time are expected to take over some of the functions now performed for the societies by the government.

The Superior Advisory Council is composed of 20 members as follows:

The Minister of Social Affairs.

Five Under Secretaries from various ministries.

The Counsellor of the Ministry of Social Affairs.

The Director of the Department of Cooperatives.

The Director of the Agricultural Credit and Cooperative Bank

One Senator and two Deputies.

Two experts on economic and social cooperation.

Six members selected by cooperatives.

The Council meets at least every four months at the call of the chairman. Members serve for three years and may succeed themselves. The Law states, "The Council will concern itself with the general purposes of the cooperative movement and the use of relief or assistance provided by the state or other bodies or purposes." The Minister of Social Affairs is to take no decisions on those matters without the advice of the Council.

The Advisory Council of each province is similar in nature to the Superior Council except that it concerns itself primarily with the problems of the societies within the province. This Council is composed of ten members who are:

The Governor of the Province who is Council Chairman.

Three inspectors representing various Ministries.

The Vice-Manager of the Agricultural Credit and Cooperative Bank.

Two members of the Provincial Council

Three members selected by the cooperatives.

The Council meets every two months at the request of the Chairman. The members serve three years and may be reappointed. The Co-operative Department looks to the Provincial Councils for advice and guidance in all matters affecting the progress of the cooperative movement in the province.

From the foregoing description of the make up and functions of the Department of Cooperatives, the Superior Advisory Council and the Advisory Councils of the Provinces it appears that the cooperative movement is largely directed and controlled by the government

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which is empowered to perform many of the functions ordinarily exercised by cooperatives themselves. The Cooperative Law of 1944, recognizes the desirability of giving the members of the societies responsibility for the operation of their organizations. As a means to this end the formation of Cooperative Unions is authorized. The Law provides in substance as follows:

The cooperative societies and wholesale cooperative societies may form unions from amongst themselves, the duties of which are to undertake inspection and auditing of activities and accounts ---. These Unions may also advise the societies in better management and may educate the public in cooperation, encouraging them to form cooperative societies, and instilling into them the cooperative spirit.

The expenses for performing the work undertaken by the Unions is met by assessment on individual cooperative societies. At the end of 1950, a total of 21 unions had been formed. Some of these were authorized by the Cooperative Department to conduct the auditing and inspection of member societies. Others are carrying on educational work in behalf of the cooperative movement.

The Law provides that a cooperative union shall be composed of at least 10 societies. Individuals cannot be admitted as members. At the close of 1950 all of the 2033 existing societies were included in one of the 21 unions. Management of a union is in the hands of a committee composed of at least three individuals elected at a general meeting composed of delegates of member societies making up the union. The unions are subject to the control of the Department of Cooperatives which is responsible for the organization of unions and the assessment of fees for their support.

At this time the existing unions are in process of consolidation into one union for all of Egypt. This union will have branch offices as needed in the various provinces. Whether this move will result in further centralization of control of the local societies remains to be seen. Fees to be paid for support of the union by local societies has been fixed at 20 millions per member or 10 percent of the net surplus, whichever is the smaller and with a minimum of £ 2 per society. Wholesale societies pay £ 1 per society making up the wholesale or 10 percent of the net profits, whichever is the smaller and with a minimum assessment of £ 10.

IV. Activities Pursued:

The cooperative law permits societies to be organized for any purpose intended to be of mutual benefit to the membership. With some few exceptions namely marketing, the agricultural cooperatives are multiple purpose. A summary of the transactions of agricultural cooperatives in 1950 gives a general scope of their activities.

<u>Activity</u>	<u>Volume of Transactions</u>
Sale of supplies to members	£ 3,743,190
Credit extended members	1,529,471
Marketing of farm products	281,780
Other services	177,681

Total	£ 5,732,127

Sale of supplies as shown above includes the amount of loans disbursed in kind to society members. The amount of credit extended includes only loans disbursed in cash. The most important marketing activity is at Alexandria. This is of significance in the development of plans for the Beheira project. In addition to the new agricultural societies to be formed under the provisions of the Agrarian Reform Act the Department of Cooperatives is now giving assistance in the organization of home building cooperatives. This is a relatively new activity.

V. Situation in Beheira and Faycum Provinces:

Beheira Province had 198 cooperative societies with 43,432 members at the close of 1950. Of the 198 societies, 183 were agricultural cooperatives. These had 37,561 members who transacted £ 289,436 in business with their societies. These transactions consisted of:

<u>Activity</u>	<u>Transactions</u>
Sale of supplies to members	£ 176,627
Loans made to members	107,667
Other services	5,142

Total	£ 289,436

The item sale of supplies includes loans made in kind and the item loans made includes only cash advances.

A smaller number of cooperative societies are located in Fayoum Province than in Beheira. However, the smaller size of the area and the fewer number of farmers probably accounts for this. At the close of 1950 there were 62 cooperatives in Fayoum with 19,729 members. All but 5 of the 62 societies were agricultural. The membership in these totaled 17,451. They had a volume of business in 1950 of £ 184,076. This was made up of:

<u>Activity</u>	<u>Transactions</u>
Sale of supplies to members	£ 164,732
Loans to members	13,772
Other services	5,572

Total	£ 184,076

As in the case of other activity reports of agricultural cooperatives the sale of supplies includes loans in kind and loans made includes only those disbursed in cash.

VI. Summary and Recommendations

Summary:

1. The cooperative movement in Egypt is proceeding in conformity with generally accepted cooperative principles. The Law under which cooperative societies organize and operate has been drawn with these principles in mind.
2. Supervision and control of the movement is now highly centralized in the government. Whether this control will be relinquished as the membership grows in understanding and competence remains to be demonstrated. The apparent concentration of control in the government or in the hands of a few individual members of a society is believed to be a pronounced weakness in the existing cooperative movement.
3. Opportunity for assumption by societies of certain services now performed for them by the government and for exercising a greater voice in the direction of the movement exists under the provisions of the present Law. This is expected to be accomplished through establishment of a cooperative union covering all of Egypt with necessary branches in the provinces. Separate unions now exist in each of the provinces.
4. The Department of Cooperatives in the Ministry of Social Affairs which has the responsibility for the organization, guidance and supervision of cooperative societies has ample facilities for the discharge of these activities. It is believed the Department's leadership recognizes the need for greater member participation.
5. Cooperative societies at December 31, 1950 numbered 2033 and had a membership of 778,783 individuals. In 1950 total transactions were £ 12,129,821.
6. Agricultural cooperative societies make up about four fifths of the total number. They have offices in about 2000 villages. The membership of these societies at the end of 1950, was 528,770. Practically all of these societies are multiple purpose and of limited liability. The membership determines the liability which it wishes to assume. This may be limited to the actual share holdings or a certain number of times the share holdings.
7. At the end of 1950, the societies had outstanding share capital of £ 1,375,978 and total reserves of £ 771,443. The average was £ 676 of share capital and £ 331 in reserves.
8. Behetra Province at the end of 1950 has 198 societies with 43,432 members. Agricultural cooperatives numbered 183, with 37,561 members, who had transactions totalling £ 289,436 with their societies during the year.

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9. Fayoum Province at the end of 1950 had 62 societies with 19,729 members. Agricultural cooperatives numbered 57, with 17,461 members who had transactions totalling £ 184,076 with their societies during the year.
10. Practically all of the business of the agricultural co-operatives consists of sale of supplies, principally fertilizer and seeds and the making of loans to members. Some marketing of farm products is undertaken. The principal marketing society is located at Alexandria. It handles chiefly truck and fruit crops. A number of the societies own farm tractors with tillage equipment. This machinery is operated by the society on a custom basis.
11. The business affairs of the agricultural societies are handled by a management committee elected by the membership at their annual meetings. Various members of this committee are given the responsibility for certain activities in which their society engages. The larger societies which have a sufficient volume of transactions employ a full time manager. Each society has a secretary who keeps the records and accounts.
12. In addition to the management committee, the members elect a supervisory committee of three members which reviews and which may take certain actions respecting the work of the management committee.
13. Each society sets aside annually a portion of its net profits for the social betterment of their village.
14. Additional wholesale societies are in process of organization. These should assist in making the services of the local societies more effective.

Recommendations:

1. While it is recognized that initiative and assistance from the government may be necessary to advance the cooperative movement in Egypt, every encouragement should be given to substituting local control for government control as the societies become capable of assuming this responsibility. To become successful, a cooperative should spring from a felt want on the part of the individuals who are to make up its membership and there must be economic justification for its existence. Compulsory membership in cooperatives is contrary to the generally accepted principles of democratic action.
2. The educational program being developed in connection with the Beheira and Fayoum projects and those which have wider

application should familiarize the participants with the place of cooperatives in a free economy and how cooperatives provide for the exercise of democratic processes on the part of the membership. This action should be taken not only by the school system but should also be incorporated in the agricultural extension program now being established.

3. Settlers on the Beheira and Fayoum projects should have the opportunity and the experience of building their community. This includes not only the physical features but the social and economic services as well. To this end the settlers should have an active part in the establishment of their cooperative society, should they determine that such an institution is needed and could reasonably be expected to succeed. The Department of Cooperatives will if requested, assist in the details of organization and provide the necessary supervision as specified by law. It is believed however that Earis can contribute materially to the success of the establishment of a cooperative by working with the villagers and the Department of Cooperatives in the preliminary organizational activities. Some temporary assistance may be needed for perhaps a 90 day period. This might be rendered by a consultant obtained for this purpose or better, by a technician should he be added to the Agricultural Staff from the United States on a permanent basis and whose responsibility would be in the field of cooperatives. It is believed this technician should be attached to the extension staff.
4. A definite program of member education should be developed with the board of directors of any cooperative which may be organized. This should have as objectives, an informed membership, a membership which participates in the affairs of the society, a membership which expresses itself in the direction of the activities of the society, and a membership which realizes it is building an institution of its own rather than simply using the services of an organization given it by the government.
5. To be effective in the determination of policies and in order to intelligently discharge their responsibilities the directors of societies might be brought together from time to time in group meetings. At these meetings, common problems would be discussed and methods for improving the work of the societies explored.
6. Schools for managers and management committees of societies might be arranged in order to provide needed training and to obtain benefit of group discussion.
7. Provision should be made for giving cooperatives greater representation on the Superior Advisory Council and the provincial councils. As these councils are now composed, cooperatives have 6 of 20 seats on the Superior Council and

3 of 10 seats on the provincial councils.

- 8. Efforts should be made to increase the membership of societies. This is primarily a job of educating the farmers and others in the principles of cooperative action and how cooperatives might help to improve economic and social conditions. Audio-visual aids are believed to have an important place in such membership activities.
- 9. The capital and reserve position of existing societies needs further study. At present there appears to be need for increasing the amount of share capital, with perhaps some relationship between the share holdings of individuals and the volume of their transactions. It is believed that lack of adequate capital may be limiting the services of societies.
- 10. The need for adequate capitalization of cooperatives to be established in the Beheira and Fayoum project areas should be discussed with the Department of Cooperatives. If lack of capital is found to be a limiting factor Earis should consider providing the initial capital with retirement to be effected as local capital is raised. Article III, d, of the Beheira - Fayoum Agreement is believed sufficiently broad in its authority to permit this action.
- 11. Cooperatives in the Beheira and Fayoum project areas could not be organized until after villages are established and settlements completed. However, the Department of Cooperatives should be asked to determine whether existing cooperatives adjacent to these areas might not temporarily serve these areas. Village plans should provide quarters for cooperatives.
- 12. Personnel Requirements
 - a. Temporary assistance in initial organizational work for total of perhaps 90 days to be provided by consultant or addition to permanent agricultural staff.
 - b. Assignment of member of Department of Cooperatives for study of cooperative credit system in the United States for a 90 day period.

Date: 6/18/53

Paul Fankhauser