

**MINISTRY PAPER NO.:** \_\_\_\_\_

## **PERFORMANCE OF THE DEPARTMENT OF CO-OPERATIVES AND FRIENDLY SOCIETIES FOR FINANCIAL YEAR 2006/2007 AND FOCUS FOR FINANCIAL YEAR 2007/2008**

### **1.0 Purpose of Ministry Paper**

The purpose of this Ministry Paper is to inform Parliament and the public about the performance of the Department of Co-operatives and Friendly Societies for the 2006/2007 Financial Year and its main focus for the 2007/2008 Financial Year.

### **2.0 Mission**

To contribute to the social and economic development of the nation by facilitating the establishment and regulation of co-operatives and friendly societies as viable business alternatives and effective social organizations, while protecting their stakeholders' interests

### **3.0 Vision**

To be transformed to position co-operatives and friendly societies as vibrant and viable entities within the framework of Jamaica's socio-economic development

### **4.0 Roles and Functions**

The Department of Co-operatives and Friendly Societies, a division of the Ministry, has responsibility for administering the Co-operative Societies Act and the Friendly Societies Act and their respective regulations. It regulates and supervises credit unions, as well as agricultural, benevolent, friendly and fourteen (14) other types of producer and service societies. The Department also plays the important role of ensuring stability in the co-operatives and friendly societies movements, which consists of six hundred and sixty two (662) societies; two hundred and thirty five (235) co-operatives and four hundred and twenty seven (427) friendly and benevolent societies. These societies enjoy a total membership of over 1.1 million individuals.

The mandate of the Department is in effect, aimed primarily at ensuring the safety of societies' assets and protection of members' savings and investments and other stakeholders' interests. Its functions include:-

- Registration of societies and their rules
- Inspection and supervision of societies
- Annual audits and investigations
- Arbitrations

- Inquiries
- Suspension of societies' registration
- Cancellation of societies' registration
- Dissolution of societies
- Training, promotion, research & development, planning and capacity building for societies

In addition, the Department monitors and assists the development of the co-operative movement in keeping with Government's policies and global trends, and provides technical assistance to facilitate sustainability and social mobility of the friendly societies movement.

The functions of the Department are carried out through the following programmes:

- **Inspection:** Inspects the affairs of co-operatives and friendly societies with a view to ensuring compliance with prevailing acts, regulations, rules and sound business practices.
- **Audit and Investigations:** Audits the accounts, systems and procedures of all registered societies on an annual basis and investigates all reported incidents of fraud or misappropriation in these societies.
- **Research, Training and Development:** Carries out training, promotional activities, development, research and planning for the co-operative societies and friendly societies.

## 5.0 Highlights of Performance/Achievements for Financial Year 2006/2007

Activities	Societies		
	Targets '06/07	Achievements '06/07	Targets '07/08
Audits	94 for 208 years	100 for 131 years	123 for 236 years
Inspection	70	33	95
Pre-Audit Checks	70	67	95
Liquidations	12	-	10
Technical Support & Business Counseling <ul style="list-style-type: none"> <li>○ Attend Board Meetings</li> <li>○ Revise Policies</li> <li>○ Facilitate compliance with statutes</li> </ul>	165	268 societies 2 Groups	180
Training (# of persons)	550	424	650
Group Organization/Supervision	38	43	36
Development Planning <ul style="list-style-type: none"> <li>○ Analyze Accounting Systems</li> <li>○ Assess Internal Controls</li> <li>○ Feasibility Assessment</li> </ul>	78 Societies 25 Groups	15 Societies 17 Groups	43 Societies 25 Groups
Development of Models & Rules	4	-	4
Appraisal of Rules	35	45	55
Special Projects	3	1	3
Settlement of disputes	220 cases involving \$28.6M	275 cases involving \$45.7M	250 cases involving \$37.2M
Rid registers of dormant societies (Cancellation/Mergers/Amalgamation/Transfers)	60	-	13
Registration	38	17	36

## 5.1 Special Activities

- i) **Revision of the Co-operative Societies Act and Regulations:** The Department continued to consult with the legal team of the Ministry of Industry, Technology, Energy and Commerce and other stakeholders to address areas of concern regarding the proposed revision of the Co-operative Societies Act. Recommendations from stakeholders have been assessed and included in a Submission for Cabinet consideration.
- ii) **Revision of the Friendly Societies Act:** The Department carried out discussion with the Ministry of Finance and Planning (MoFP) to facilitate a collaborative/consultative process with friendly and benevolent societies in soliciting their input in the proposed changes to the Friendly Societies Act.
- iii) **Revision of the Industrial and Provident Societies Act.** Consultation between MoFP and the Department resulted in the drafting of a Cabinet submission for amendment to this Legislation. Representatives of the Department were also present at the Cabinet Legislation Committee meeting which dealt with the Cabinet submission for the proposed amendments.
- iv) **Partnership/Collaboration:** The Department continued to work collaboratively with other entities involved in facilitating community development, capacity building and regulatory compliance. The primary concept of said collaboration is the maximization of resource utilization, particularly where such resources are limited within the Department. Thus the Department was able to build on the relationships with agencies that were involved in a capacity building retreat convened among representatives of the Ministry of Water & Housing, Ministry of Local Government, Ministry of Health, the parish councils, Water Resources Authority, NEPA, OUR, Water Commission, Social Development Commission (SDC) and JSIF. This resulted in twenty (20) groups in communities island-wide being organized, with nine (9) being registered as legal entities. Registration of those societies facilitated projects for community center development, rehabilitation of roads and basic schools and provision of potable water supplies where such facilities were non-existent.

The partnerships and collaborations with Jamaica Social Investment Fund (JSIF), Ministry of National Security, SDC and Local Initiative Facility for the Environment (LIFE) have enhanced the Department's impact on critical social-intervention projects. Increased exposure of the Department facilitated other types of collaboration with additional organizations such as National Irrigation Commission, St. Elizabeth

Environmental Protection Agency and the US Peace Corps, while improving the capacity of the Department to discharge its functions in an effective manner and widen its social impact at the community level.

- v) **Youth Co-operative Education:** The Department in conjunction with parish credit unions, has embarked on a programme to establish junior co-operatives in schools and youth clubs, as one of the strategies to improve the knowledge and acceptance of co-operatives as vehicles for job creation, economic empowerment and social mobility. It is envisaged that such a programme will be complementary to the ongoing Schools Essay Competition, conducted for students attending primary, all age, secondary and high schools.
  
- vi) **Implementation of an Information Technology (IT) Plan:** The Department is considering hosting a hub for e-commerce between and amongst co-operatives and other stakeholders.

## 6.0 Challenges

6.1 The following challenges impacted adversely on the Department vis-à-vis its targets.

- a) The unavailability of officers within friendly societies to address the Department's queries and present records for examination and auditing
- b) Tardiness of producers and services co-operatives in responding to measures aimed at improving their financial viability and effectiveness
- c) An increase in the number of entities seeking information on registration under the relevant acts
- d) High demand for onsite interventions for groups seeking legal status
- e) Inadequacy of the Department's IT capacity to meet its operational/administrative needs

6.2 The table at Section 7.0 contains the major areas of focus for Financial Year 2007/2008 including those which address the challenges cited above. However, among the specific strategies employed and being explored to address the challenges identified are.

6.2.1 Intensify training and capacity building programmes for personnel within societies and for sponsors of groups seeking legal status, wherever weaknesses are identified

6.2.2 Effect institutional strengthening and capacity building of secondary co-operatives/federations to enable said societies to be better able to serve their members

6.2.3 Effect mergers of uneconomical societies to allow them to take advantage of economies of scale.

- 6.2.4 Dissolve weak societies displaying no visible signs of economic viability
- 6.2.5 Upgrade the Department's IT capacity including network capabilities, to ensure ability to disseminate information in a timely and efficient manner
- 6.2.6 Improve the effectiveness of the Department's human resource capacity through filling of existing vacancies and employment of proactive efficiency-measuring techniques
- 6.2.7 Push for modernization of the legislative framework and operational procedures to allow societies to compete successfully in the current highly competitive economic environment.

## 7.0 Summary of Major Focus for 2007/2008 Financial Year

POLICIES	OBJECTIVES	STRATEGIES	PERFORMANCE TARGETS
Facilitate annual audits for review of societies' performance, by their members.	Completion of financial audits as required under the acts.	Application of audit techniques and assessment of financial performance.  Tabulation of financial reports and statements.	Audits available for 236 years for 123 Societies.
Regulation and supervision of societies through administration of the Co-operative Societies and Friendly Societies Acts.	Ensure continuous compliance by management/volunteers in the conduct of societies' affairs.	Conduct on-site inspections and off-site assessment into all areas of societies' activities.	Completion of detailed reports outlining findings and recommendations regarding the activities of 95 societies.  Examination of financial and legal returns for 50 societies.  Conduct pre-audit checks for 95 societies.
Effect corporate governance and adherence to statutes	Documentation and implementation of appropriate policies	Collaborate with boards of directors, staff and volunteers of societies to develop appropriate policies	Development and implementation of policies and systems as internal controls and decision making tools within 90 societies
Effect corporate governance and adherence to statutes	Removal of non-performing societies from the Register.	Review status of societies that are in breach of the statutes; recommend and facilitate the process for conducting enquiries and liquidations or resuscitations as necessary.	13 societies' registrations cancelled and/or societies resuscitated.

<b>POLICIES</b>	<b>OBJECTIVES</b>	<b>STRATEGIES</b>	<b>PERFORMANCE TARGETS</b>
Settlement of disputes between members and their societies through the process of arbitration.	Facilitate settlement of disputes within societies.	Receive applications and complaints from aggrieved parties; appoint arbitrators, review awards and act upon appeals.	Settlement of 250 cases involving \$37.2 M.
Facilitate modernization of legal statutes.	Modernization of legal framework.	Facilitate amendments to Co-operative and Friendly Societies Acts & Regulations and societies' rules.	Revision of co-operative societies legislation. Amendment to the rules of 20 societies.
Intensify programmes for training and systems development in societies, through technical support.	Existence of standardized documents for transparency in management of societies	Business counseling, training seminars and development of specific models and systems to enhance operations	<p>Feasibility assessment of 35 societies to ascertain viability.</p> <p>650 persons to receive specialized training to manage their societies' affairs more effectively and efficiently.</p> <p>Technical advice to boards of directors of 110 societies to improve efficiency and viability.</p>
Facilitate the registration of viable Co-operatives and socially acceptable Friendly Societies.	To increase employment creation, income generation, foreign exchange earnings and import substitution.	Vetting of rules, feasibility assessment of business/project proposals, training and supervision of group members.	Registration of 36 groups as legal entities under the relevant acts.

<b>POLICIES</b>	<b>OBJECTIVES</b>	<b>STRATEGIES</b>	<b>PERFORMANCE TARGETS</b>
Institution of youth co-operatives	Registration of five (5) junior co-operatives.	<ul style="list-style-type: none"> <li>- Sensitize youths within five (5) schools and youth organizations</li> <li>- Promote the Annual Essay Competition within schools</li> </ul>	<p>Registration of five (5) junior co-operatives</p> <p>Annual Essay Competition held successfully</p>
Computerization of Department's activities.	Faster and more efficient network facilities for the Department and the various movements.	<ul style="list-style-type: none"> <li>- Acquire additional computers and software.</li> <li>- Maintain website</li> <li>- Train staff in the use of software and hardware</li> </ul>	<p>Existence of interactive website offering online training and information.</p> <p>Faster turn-around time in communicating and transmission of information to officers.</p>
Facilitate establishment of appropriate internal controls and accounting systems within societies.	Accountability and transparency of societies' operations.	Timely evaluation of systems and procedures to ensure adequacy.	Adequate system of accountability developed within 28 societies to enhance transparency, accountability and prevent malfeasance or misfeasance.

## 8.0 BUDGETARY ALLOCATION

<b>Revised Estimates 2006/2007 (\$M)</b>	<b>Proposed Budget 2007/2008 (\$M)</b>
37.5	50.6

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**Ministry of Industry, Technology, Energy and Commerce**  
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