



REPUBLIC OF TURKEY
MINISTRY OF CUSTOMS AND TRADE
Directorate General of Cooperatives

TURKISH
COOPERATIVES STRATEGY
AND
ACTION PLAN

2012–2016

2012

International

Year of Cooperatives





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STATEMENT OF THE PRIME MINISTER

Such socio-economic organizations in our history as guilds and collective works that were initiated by “Native Funds” have underpinned the development of a cooperative system in modern terms. I sincerely trust that cooperatives named after the currently implemented model, yet inspired directly from our own history of civilization, will provide a major contribution to Turkey in achieving her goals.

Administered democratically, cooperatives are distinguished from other businesses in that they may be described as initiatives guided by such values as responsibility, equality, fairness, cooperation and solidarity. Cooperatives put humanity at the center of their activities. Cooperatives are thus important in respect of the economic and social development of individuals and society.



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Cooperatives have developed in quantity, yet their economic, social and societal functions are not at desired levels. Having ensured the participation of over 8 million people to economic activities in Turkey, the cooperative system should embrace a more effective and efficient structure. We have accordingly conducted a radical reorganization process to turn the cooperatives into actors underpinning and strengthening our social and economic development.

In the course of the time that our governments have ruled, we made major strides towards a thorough change of the cooperative mentality. One of these major strides is the establishment of the “Directorate General of Cooperatives” under the Ministry of Customs and Trade. Apart from these, we have included appropriate measures for cooperatives within the Annual Programs; and have thus ensured the systematic execution of relevant works.

“Turkish Cooperatives Strategy and Action Plan” has been prepared by the contribution and support of the entire parties under the coordination of the Ministry of Customs and Trade. This Plan assesses the cooperative practices in Turkey in-depth and provides for necessary measures. Turkey’s vision for cooperatives has been defined as “attaining a cooperative system characterized by reliable, efficient, effective and sustainable economic initiatives”. Strategic goals for cooperatives have been set in parallel with such vision.

I personally consider that the coincidence of the 2012 International Cooperatives Year with the coming into effect of the Strategy Paper as the first ever comprehensive visionary work of the Republican era in the realm of cooperatives, is of paramount importance. The sector, relevant institutions and particularly the cooperatives will play major parts in the implementation process of the Strategy. It is vitally important that such responsibilities be sensitively fulfilled.

I therefore would thank all who have contributed to the preparation of the Turkish Cooperatives Strategy and Action Plan, and hope that this Plan would be beneficial for our cooperatives and national economy.

Recep Tayyip ERDOĞAN
The Prime Minister of the
Republic of Turkey

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STATEMENT OF THE MINISTER

Within the framework of a vision as “**Turkey, a country of information society, growing in stability, sharing more equitably, globally competitive and fully completed her coherence with the European Union**” which was laid down in the Ninth Development Plan, our government resolutely takes the necessary measures for our country.

Our main objective is to increase the prosperity and welfare of our people by means of economic development and improvement. Within this respect, one of the important means contributing to activating our policies on a social state is the cooperatives entrepreneurship.

Cooperatives have gained an international identity in time and have become successful initiative models which have specific positive signs in the economic and commercial life.

Cooperatives have become an integral part of economic and social development model of our time since they have the capacity to combine social responsibility and civil society values with a free enterprise approach in their organization.



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A cooperative, one of the most efficient development means today, not only makes economic and social contribution to manufacturers, consumers and small enterprises but also provides added values to the national economy. For example, according to the data supplied by the International Cooperatives Association (ICA), the total turnover of the largest 300 cooperatives of the world attributed to 1.12 trillion American Dollars in 2006.

There is not a significant difference in terms of the beginning of the modern cooperatives between the developed countries and Turkey. The Turkish society is quite familiar with the assets such as collaboration, cooperation and solidarity which the cooperatives cover. Furthermore, cooperation organizations such as “ahi community” and “imece” (collective work) which were flourished and developed in Anatolia clearly reflect this reality.

Cooperatives have managed to become an economic initiative model in which 8.1 million people participate voluntarily in Turkey. In order to encourage this progress, we give particular importance to cooperatives and begin to conduct new projects in this field which have never been implemented until today.

We have finalized “**Turkish Cooperatives Strategy and Action Plan**” with the help of member organizations as a result of a long, hard and a participative process in order to determine the relevant problems of cooperatives and to find new solutions.

With this document which defines the vision of Turkish cooperatives, we aim to create a more efficient environment for the cooperatives, to increase the confidence in the sector, to remove the inefficient and poor practices, to provide sustainability, competitiveness and innovation, to find solutions for the problems in the sector and to gain a new momentum to the cooperatives.

With the **Turkish Cooperatives Strategy and Action Plan**, we redefine the roles of public and private sector and present a sustainable policy for cooperatives. When 36 actions envisaged in the Strategy Document have been activated, there will be an increase in the welfare and production levels of large segments of the society, particularly consumers, disadvantaged groups, agricultural manufacturers, tradesmen and craftsmen, small and medium enterprises.

I hope that this Strategy Document will be beneficial to the cooperatives sector and our county and I would like to thank all the people who have contributed to this process.

Hayati YAZICI
The Minister of Customs and Trade

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The List of Abbreviations

EU	European Union
USA	United States of America
R&D	Research & Development
BRSA	Banking Regulation and Supervision Agency
UN	United Nations
COPAC	Committee for the Promotion and Advancement of Cooperatives
MoLSS	Ministry of Labour and Social Security
MoEUP	Ministry of Environment and Urban Planning
DFIF	Support and Price Stabilization Fund
DGRV	Deutscher Genossenschafts-und Raiffeisenverband e.V. (German Cooperatives Confederation)
MoCT	Ministry of Customs and Trade
MoFAL	Ministry of Food, Agriculture and Livestock
GDP	Gross Domestic Product
ICA	International Cooperative Alliance
ILO	International Labour Organization
IRFO	Institutional Reinforcement of Farmer Organizations
KGMDSK	Public Surveillance, Accounting and Auditing Standards Board
OECD	Organization for Economic Cooperation and Development
OSIB	Ministry of Forest and Water Affairs
PANKOBIRLIK	Beet Planters Cooperative Union



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SCE	Statute for European Cooperative Society
SPK	Capital Markets Board
TESKOMB	The Central Union of Turkish Tradesmen and Craftsmen Credit and Guarantee Cooperatives
TKKMB	The Central Union of Turkish Agricultural Credit Cooperatives
TKK	Turkish Cooperatives Association
TMKB	Union of National Turkish Cooperatives
TOBB	The Union of Chambers and Commodity Exchanges
TSKB	Union of Agricultural Sales Cooperatives
TurkStat	Turkish Statistical Institute
TURMOB	The Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey
IYC	International Year of Cooperatives



1. INTRODUCTION

Over the last thirty years, we have witnessed a process in which the governments have tended to minimize their roles in the economic and social area, to liberalize and localize the administrative, political and economic structures, to replace their planned economy with the market economy and to balance the development of different economic sectors as a result of the changes in economic and social life as well as the change in public administration approach.

Because of these developments, the need to meet the economic and social requirements of the society in the best way has continued to increase since we have played an efficient role in filling the public authority gap. In several developed countries, this gap has been filled mostly by associations of economic solidarity, such as cooperatives which help themselves and take their own responsibility.

In this respect, work on “**the approaches of the governments towards the cooperatives**” which have recently been conducted by international organizations and regional integrations have gained speed and importance.

The United Nations (UN) points to the roles of cooperatives particularly in alleviating the poverty and in a sustainable social and economic development and asks the governments to create a suitable environment and to prepare the required infrastructure for the cooperatives. Within this scope, 2012 was declared as the “**International Year of Cooperatives (IYC)**” on the basis of the Decision dated 18 December 2009 and No. 64/136 which was approved within the framework of work in the 64th term of the United Nations General Assembly. The motto for 2012 IYC was announced as “Cooperative enterprises build a better world”.

The UN declared 2012 as the “International Year of Cooperatives” since it aims to raise awareness, to promote the establishment and reinforcement of the cooperatives and to encourage the governments on this issue. This decision of the UN means that the main role of the cooperatives business model in economic and social development is recognized, the people living in both developing and developed countries are encouraged to fully participate in the cooperatives for their economic and social development and that the cooperatives have an active role in alleviating the poverty.



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Another important institution for the cooperatives, the International Labour Organization (ILO) approved the Recommendation No. 193 titled “**Promotion of Cooperatives**” which addresses the targets regarding the cooperatives, the policy framework, the role of the governments and the measures to be taken for promoting the cooperatives in 2002. The European Union (EU) has conducted some work and issued regulations on the importance of the cooperatives in social and economic terms, developing and encouraging the cooperatives and increasing their competitive power.

All these developments are of a particular concern to our country. Therefore, “**a new planning process**” is needed to define the role of the public and the other actors better and to determine the relevant steps to be taken, considering the changing conditions in Turkey and all over the world and with the aim of optimizing the cooperatives in our country.

In this context, work on drafting “**The strategy for Cooperatives**” for the cooperatives sector is under way.

This strategy is based on the principle of developing the cooperatives, which is also expressed in the Article 171 of the Constitution as “**The state shall take measures in keeping with national and economic interests, to promote the development of cooperatives, which shall be primarily designed to increase production and protect consumers**”.

Moreover, this document will also contribute to reaching the development lines, namely Increasing the Competitive Power, Increasing Employment, Strengthening Human Development and Social Solidarity, Providing the Regional Development, Increasing the Quality and Efficiency of Public Services which are envisaged in high policy documents such as the Ninth Development Plan (2007-2013) and Medium Term Program and the targets laid down in Industrial Strategy Document of Turkey, Craftsman and Artisans Change; Transformation, Support Strategy Document and Action Plan, Information Society Strategy and SME Strategy and Action Plan.

Moreover, some measures on preparing the Strategy for Cooperatives and implementing this strategy in order to develop and expand the activities regarding cooperatives were included in the programs for 2011 and 2012.

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Furthermore, addressing and implementing the cooperatives system, which is still regarded as one of the most efficient means of development today, in a rational and integrated approach will not only contribute much to manufacturers, consumers, small enterprises and other beneficiaries but also to activating the idle resources, expanding the opportunities on micro credits and financing, providing the capital stock, creating new employment areas, increasing the production, integrating the agriculture and small production fields with the industry, regulating the markets in a more positive manner, improving the entrepreneurship and the culture of running common business, increasing the social capital, sharing the capital more equally, reducing the poverty and thus helping our country to develop as a whole.

In addition, the UN 2012 targets laid down in “2012 International Year of Cooperatives Declaration“ which was issued by the United Nations General Assembly and the targets envisaged in the Strategy for the Cooperatives overlap to a large extent. Therefore, our country will be one of the first implementers of the targets determined by the United Nations “2012 International Year of Cooperatives”.

All the mentioned issues above are both basis and starting points of the Strategy for the Cooperatives.

The preparation process of the Strategy for the Cooperatives was shaped by a quite participative approach. First of all, the Ministry of Food, Agriculture and Livestock (The Ministry of Agriculture and Rural Affairs before the Decree Law No 639) which is another Ministry in charge of the cooperative services, The Union of National Turkish Cooperatives (TMKB), Turkish Cooperatives Association (TKK) and Turkish Agency of German Cooperatives Confederation (DGRV) were defined as the partner organizations. Later, since the functions and authorities of the Ministry of Customs and Trade (The Ministry of Industry and Trade before the Decree Law No. 640) were transferred to the Ministry of Environment and Urban Planning (The Ministry of Public Works and Settlement before the Decree Law No. 644) by the Law dated 13.06.2010 and No. 5983, the relevant Ministry participated in the documentation process as a partner organization and made significant contributions to finalizing the documentation process.



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The determination and formation of the context of the documents, obtaining the opinions of the relevant parties about the every phase was realized in a quite open and transparent atmosphere. During the preparation phase of the documents, several working group meetings were held in cooperatives sector, in the public organizations and institutions, financial institutions, trade unions, trade bodies and universities. 104 representatives from 47 different organizations participated in these meetings.

Within the scope of this Strategy document, some answers were given to the following key problems:

- What is the situation? What are the problems? What do these problems stem from?
- What is the relative importance or effect of different problems?
- How do we deal with these problems?
- Does this serve the purpose?
- How do we expect these problems to change in the future?

However, general and structural problems of the cooperatives system were addressed rather than the sectoral problems specific to the cooperative types and some solution offers were given in this regard.

As a result, “**Turkish Cooperatives Strategy and Action Plan**” was prepared with the contributions of the relevant organizations and institutions thanks to all these works which were carried out by the partner organizations in coordination. This document consists of three main chapters namely the Cooperatives in the World and in Turkey, Situation Analysis and Strategic Approach. Field application of this Strategy may be realized by the Action Plan. The Action Plan defines the action to be realized, its timetable and its instruments in accordance with the defined strategic targets.

2. STRATEGIC FRAMEWORK OF THE TURKISH COOPERATIVES STRATEGY (VISION, GENERAL OBJECTIVE AND TARGETS)

VISION OF THE TURKISH COOPERATIVES

“Achieving a cooperative structure with reliable, productive, efficient and sustainable economic initiatives”

GENERAL OBJECTIVE

“Ensuring a more convenient atmosphere for the cooperatives, creating a more positive public image regarding the cooperatives, increasing the confidence in the sector, displaying effective and efficient practices, ensuring sustainability, competitiveness and innovation, increasing the contribution of the cooperatives to economic development and fair distribution of income.”

STRATEGIC TARGETS

Public Organization and the Way to Provide Services to the Cooperatives will be restructured.	Activities on Training, Consultancy, Information and Research will be developed.	The Organization Capacity and the Cooperation among the Cooperatives will be increased.	The Capital Structure and Access to Loans and Financing will be strengthened.	All Internal and External Auditing Systems will be revised.	Institutional and Professional Management Capacity will be increased	Basis of the Legislations will be improved in accordance with the International Principles.
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NO	STRATEGIC TARGETS AND ACTIVITIES
1.	Public Organization and the Way to Provide Services to the Cooperatives will be restructured.
1.1	The regulating and monitoring capacity of the relevant ministries (MoCT, MoFAL, MoEUP) regarding the cooperatives will be increased.
1.2	Available services provided to the cooperatives by the relevant ministries will be transferred to higher organizations.
1.3	A data base (e-cooperative) will be formed in order to activate the monitoring, auditing and implementation services about the cooperatives and provide sound statistical data.
2.	Activities on Training, Consultancy, Information and Research will be developed.
2.1	A new structure will be formed to conduct activities on training and research about the cooperatives.
2.2	“Training Project of Cooperative Entrepreneurship (KGEP) “will be prepared and put into practice.
2.3	Members of the Supervisory and Executive Board of the Cooperatives will be required to have training and certificates.
2.4	Work will be under way in order to carry out training activities on raising awareness about entrepreneurship, partnership culture and cooperatives as of the primary school education.
2.5	Training will be provided on regular basis by the higher organizations of the cooperatives about rights and obligations of their partners and in order to raise their awareness on cooperatives.
2.6	Information programs will be held on cooperatives.
2.7	Trade unions will organize training programs on cooperatives to their members.
2.8	Work will be under way to support the projects of the voluntary organizations carrying out activities on training, research and publications about the cooperatives.
2.9	A “National Cooperatives Report” will be prepared regularly every year on the condition of the cooperatives within the country and international developments.

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NO	STRATEGIC TARGETS AND ACTIVITIES
3.	The Organization Capacity and the Cooperation among the Cooperatives will be increased.
3.1	A new superior organization model suitable to the national conditions and an implementation infrastructure will be established.
3.2	New fields with high potential for cooperatives will be determined and accordingly promoting works will be carried out to establish and develop cooperatives in these fields.
3.3	“Support Programme for Cooperatives” will be realized to enable public supports given to increase production, be utilised in a way to promote cooperatives.
3.4	Promoting works will be carried out to encourage multi-purpose and large-scale cooperatives and the mergers among cooperatives.
3.5	Cooperation among the cooperatives of production, consumption and service will be enhanced
3.6	Cooperation of Turkish cooperatives with the successful cooperatives worldwide will be ensured.
3.7	Works will be made to enable the women to organize under the roof of cooperatives, with the aim of improving their entrepreneurial ability and their participation in the economy as actors.
4.	The Capital Structure and Access to Loans and Financing will be strengthened.
4.1	With the aim of strengthening the equity capital structure of the cooperatives, value of the membership share will be increased and upper limit of the membership share will be removed
4.2	Feasibility studies and project works will be made to examine the establishment of a Credit Guarantee Fund with the aim of providing guarantee for the credits to be taken by cooperatives.
4.3	Feasibility studies and project works will be made to examine the establishment of a financing institution to meet the financing needs of the cooperatives.
4.4	Legal regulations will be made to enrich the resources and methods of indebtedment of the cooperatives and their superior organizations.
4.5	Project making capacities will be enhanced to enable cooperatives and their superior organizations to benefit from the international funds and the resources and programmes of the EU.



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NO	STRATEGIC TARGETS AND ACTIVITIES
4.6	Credit support provided for the Agricultural Sales Cooperatives and Unions will be ensured to be rational.
5.	The Internal and External Audit Systems will be Revised totally.
5.1	External audit system for cooperatives, suitable to the national conditions will be established by taking the practices of successful countries into account.
5.2	Legal regulations will be made to enable the internal audit structure of the cooperatives to be more functional.
6.	Institutional and Professional Management Capacity will be Increased.
6.1	A number of regulations will be made to harmonize with the “Principles of Corporate Governance.
6.2	Institutional strategy documents will be prepared by the cooperative superior organizations.
6.3	Setting up a web-site will be compulsory for large-scale cooperatives and their superior organizations.
6.4	Employing professional managers in the executive boards will be enabled.
6.5	It will be compulsory that the cooperative members be informed periodically about the activities of the cooperative.
7.	Infrastructure will be improved in accordance with the International Principles and Requirements.
7.1	Cooperatives Law No 1163 will be amended in line with the international principles and the requirements of the day.
7.2	Law No. 4572 on Agricultural Sales Cooperatives and Unions will be amended as necessary.
7.3	Law No. 4572 on Agricultural Sales Cooperatives and Unions will be amended as necessary.
7.4	Works of revision and improvement will be carried out with regard to the accounting standards and the practices of tax and competition law concerning the cooperatives.



3. COOPERATIVES IN THE WORLD AND IN TURKEY

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Cooperatives are generally active in agriculture (manufacture, purchase and sell), wholesale and retail trade, construction of houses, water, electricity and health sectors, banking and insurance fields. However, new cooperatives organizations are increasingly established in the sectors such as information and communication technology, maintenance service, handicrafts, tourism and culture.

3.1. Cooperatives in the World

Cooperatives emerged as economic organizations in the world during the middle of the 19th century. Rapid changes and transformation as a result of the Industrial Revolution, unemployment, domestic migration, urbanization, economic and social problems such as the inequalities in income distribution contributed much to the emergence of cooperatives and cooperatives were introduced as a flow of consumers' cooperatives by the workers in England which was the centre of the Industrial Revolution. During the recent years, France has followed England with the producers' cooperatives and Germany with artisans' and agricultural credit cooperatives.

The people gathering voluntarily with the motivation of protecting or improving their individual economy have had significant economic and social gains not only for themselves but also for their societies. Later, the cooperatives left behind its role as a solidarity organization only for the weak and have turned into successful initiative models in economic and social life with specific pluses.

International Cooperatives Alliance (ICA)¹ developed a project titled "Global-300" which includes an evaluation of the cooperatives in terms of their work load in order to lay weight on cooperative business and show their contribution to the national economy and social developments. The first presentation of the Project was done during the General Meeting of ICA which was held in Cartagena, Colombia in 2005. Later, the data on the 300 largest cooperatives of the world which were also included in the "Global 300" Project and 300 developing cooperatives in the world was updated and regular reports were prepared.

¹ICA (International Cooperative Alliance) is an independent non-governmental organization which merges and represents the cooperatives in the World and provides services to them. Established in 1895, ICA includes 221 member organizations carrying out activities on all sectors of the economy from 85 countries. These cooperatives represent more than 800 million people



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In the lists of ICA Global -300 Reports for 2007 and 2008, 28 countries in total were represented and 15 of these countries (Germany, Austria, Belgium, Denmark, Finland, France, Holland, England, Spain, Ireland, Sweden, Switzerland, Italy, Norway and Portugal) are situated in Europe, four countries (the U.S.A, Brazil, Mexico and Canada), in the South and North America eight countries (Australia, China, India, Japan, Korean and New Zealand, Singapore and Taiwan) in Asia- Pacific Region and one country in the Middle East (Israel).

In ICA Global-300 list² of 2008 Report which was prepared on the basis of the turnover for 2006 declared by the cooperatives, National Federation of Japanese Agricultural Cooperatives (Zen- Noh) ranked as the first with its turnover of 56.408 billion dollars in 2006 and its total assets of 15.929 billion dollars in 2006, Insurance Federation of Japanese Agricultural Cooperatives (Zenkyoren) ranked as the second with its turnover of 47.880 billion dollars in 2006 and its total assets of 375,431 billion dollars in 2006. Crédit Agricole Grup, which ranked as the third in the list, had a total turnover of 38.473 billion dollars in 2006 and total assets of 1 trillion, 821 billion and 856 million dollars in 2006.

When the list in ICA 2008 Report is examined as a whole, it is observed that the cooperatives which are active in insurance, banking and retailing sectors increased their assets and turnovers in comparison with the figures in the previous term.

Detailed information concerning the first five cooperatives included in ICA Global -300 2007 and 2008 reports is as follows:

Table 1- First Five Cooperatives included in ICA Global-300 2007 and 2008 Lists

The titles of Cooperatives	Sector	Establishment Year	Turnover (Billion \$)		Assets (Billion \$)		ICA-300	
			2005	2006	2005	2006	2007	2008
Zen-Noh	Food& Agriculture	1948	63,4	56,4	18,3	15,9	1	1
Zenkyoren	Insurance	1951	46,8	47,9	406,2	375,4	2	2
Credit Agricole Group	Finance	1897	30,7	38,5	1.385,6	1.821,8	3	3
NACF	Finance	1961	24,6	25,9	199,8	246,7	4	4
CNAMPGC	Food& Agriculture	1982	21,6	23	11	10,9	6	5
Nationwide MIC	Insurance	1925	24,4	21,8	116,2	158,3	5	6

Reference: ICA Global-300 2008 Report

2 ICA Global-300 2008 Report was taken from the official web site of ICA European Region. (Access: 04.05.2011
Address: http://www.coopseurope.coop/IMG/pdf/G300_08.pdf)



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When the ICA 2008 Report is examined, it is observed that EUREKO, a cooperative from Holland, operating in insurance and finance sector of eleven countries and employing more than twenty thousand people, SOK Corporation, the second largest business corporation from Finland, operating in retailing sector and VGZ-IZA-Trias another cooperative from Holland, providing health insurance for more than three million people ranked in the list and made remarkable progress. The information regarding the first five cooperatives drawing attention with their progress in the list is as follows.

Table 2- Cooperatives on the Rise in ICA Global -300 2008 List

The titles of Cooperatives	Sector	Establishment Year	Turnover (Billion \$)		Assets (Billion \$)		Order in ICA-300	
			2005	2006	2005	2006	2007	2008
Eureko	Insurance	1992	7,3	18,9	98,6	114	33	9
SOK Corporation	Retailing	1904	4,9	9	2,2	2,8	50	29
VGZ-IZA Trias	Health	1992	1,6	8,6	1,4	5,4	145	30
OP Bank Group	Banking	1902	1,8	3,1	52,5	78,5	128	82
Tereos	Food& Agriculture	2004	2,1	2,9	2,6	3,6	112	90

Reference: ICA Global-300 2008 Report

Most of the enterprises at the top of ICA Global-300 lists also appeared in Global- 500 list³ which is announced by Fortune every year, a magazine for the business world published in the United States of America (USA) since 1955.

The highest rank in this list belongs to “Credit Agricole” a French bank. This cooperative was the 43th in 2011 list with its turnover of 105 billion dollars.

“Cooperative Group” which was included in the list just in 2010 is a cooperative established by the British consumers and operating in different fields. “Coop” from Switzerland, is a cooperative with several brands to its name and operating in order to meet the consumption needs of its partners.

It is possible to figure out the situation of the cooperatives against the other enterprises in this globally competitive environment by means of this list. The following table shows data on certain cooperatives appeared in the mentioned list for the period of 2006- 2011:

³ Fortune Global 500 list (Access: 26.04.2011 [Address: http://money.cnn.com/magazines/fortune/](http://money.cnn.com/magazines/fortune/))



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Table 3- Certain Cooperatives appeared in Fortune Global-500 List for the last six years

The titles of Cooperatives	The rank and turnovers of the Cooperatives according to years (Billion \$)						
	2006	2007	2008	2009	2010	2011	
Credit Agricole	19 th	18 th	23 rd	46 th	36 th	43 rd	Rank
	110,7	128,4	138,1	103,5	106,5	105	Turnover
DZ Bank	167 th	165 th	229 th	245 th	212 nd	278 th	Rank
	34,5	37,7	33,3	33,4	34,6	33,6	Turnover
Rabobank	183 rd	175 th	147 th	165 th	225 th	286 th	Rank
	31,6	36,4	47,3	45,2	33,3	32,6	Turnover
Edeka Zentrale	424 th	338 th	365 th	391 st	261 st	324 th	Rank
	15,9	20,7	22,9	23,3	29,9	29,3	Turnover
CHS	-	-	490 th	257 th	317 th	384 th	Rank
	-	-	17,2	32,1	25,7	25,2	Turnover
Groupama	303 rd	316 th	314 th	439 th	323 rd	420 th	Rank
	21	22,4	25,8	21	25,5	23,1	Turnover
Migros	409 th	451 st	445 th	379 th	374 th	404 th	Rank
	16,3	16,4	18,9	23,7	22,9	24	Turnover
Nationwide	294 th	318 th	364 th	463 rd	423 rd	127 th	Rank
	21,8	22,2	22,9	19,8	20,7	20,2	Turnover
Cooperative Group	-	-	-	-	444 th	476 th	Rank
	-	-	-	-	19,4	20,5	Turnover
Coop	-	-	-	-	493 rd	-	Rank
	-	-	-	-	17,2	-	Turnover
Total Turnover	249,8	284,2	326,4	302	335,7	313,5	

Reference: Fortune Global-500 Lists

It is observed that ten cooperatives in Table 3 increased their economic power particularly in 2010. These cooperatives recorded a turnover of **335.7 billion dollars** in total in the mentioned year. Although some of the cooperatives increased their turnover in 2011, the total turnover of these cooperatives was **313.5 billion dollars**.

America became the leading country with the highest number of cooperatives in ICA 2008 Report. **67** American Cooperatives appeared in the list of 2008 with a total turnover of **150.057 billion dollars**. France, in which the cooperatives are the most active, had **48** cooperatives in the list with the total turnover of **197.583 billion dollars**. Japan drew attention with **13** cooperatives in the list with a total turnover of **142.752 billion dollars**.

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Ten countries listed in the following table possess an economic volume of approximately **1 trillion dollars** with 248 cooperatives in total. It is also observed that 300 cooperatives appeared in ICA 2008 Report had a total turnover of **1 trillion 118 billion 20 million dollars** at the end of the financial year of 2006. These figures indicate that the economic growth in the cooperatives sectors of these ten countries attributes to approximately 82 per cent of the total amount.

When you compare the total turnover rates of the cooperatives of the countries drawing attention with the highest number of cooperatives appeared in ICA 2008 Report with the rates of Gross Domestic Product of the countries (GDP) for 2006 which was published in the official web site of the World Bank⁴, the share of the cooperatives sector in the national economy is more explicit.

Table 4- The share of the cooperatives appeared in ICA-300 2008 List in the National Economy

Country	Cooperative Number	Total turnover of Cooperatives in 2006	2006 GDP (Billion \$)	Rate (per cent)
USA	67	150	13.336,2	1,1
France	48	197,5	2.266,1	8,7
Italy	29	50,9	1.863,3	2,7
Germany	27	139,4	2.918,5	4,7
England	22	55,3	2.439,4	2,2
Holland	17	81,0	677,6	11,9
Japan	13	142,7	4.362,5	3,2
Finland	9	33,6	207,7	16,2
Canada	9	23,9	1.278,6	1,8
Switzerland	7	38,1	391,2	9,7
TOTAL	248	912,8	29.741,6	3

Reference: ICA Global-300 2008 Report

The above mentioned figures clearly indicate the role of the cooperatives in the developing countries and its effects on the economy.

It is also possible to explain the importance of the cooperatives for the national economy from a different point of view. You can compare the economic growth the cooperatives of the countries in ICA

⁴ Table published in the official web site of the World Bank and which shows the GDP rates of the countries (Access: 26.04.2010 Address: <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD/countries?display=default>)

2008 Lists recorded with the figures⁵ in the list published by the World Bank and which shows the GDP rates of the relevant countries in 2006. Thus, it is possible to see that the economic volume recorded by the cooperatives sector of the relevant countries surpassed the other countries.

Table 5- The Comparison of the GDP Rates of the Countries in 2006 with the Turnover of the Cooperatives in 2006

Countries and Cooperatives	Total turnover of the cooperatives in 2006/ GDP Rates of the Countries in 2006 (Billion \$)
Portugal	201
French Cooperatives	197,6
Venezuela	183,7
Colombia	163,1
Malaysia	156,5
American Cooperatives	150,1
Nigeria	146,9
Israel	145,8
Singapore	145,1
Japanese Cooperatives	142,8
Czech Republic	142,6
German Cooperatives	139,4
Pakistan	127,5
Romania	122,6
Algeria	117,2
New Zealand	110,6
Ukraine	107,7
Egypt	107,5
Kuwait	101,6
Dutch Cooperatives	81,1
Kazakhstan	81
Slovak Republic	69,1
Morocco	65,6
Libya	56,5
British Cooperatives	55,3
Italian Cooperatives	51
Iraq	45,1
Slovenia	39
Swiss Cooperatives	38,2
Finnish Cooperatives ri	33,7
Syria	33,4
Tunisia	31
Canadian Cooperatives	24
Kenya	22,5
Lebanon	22,4

Reference: World Bank, ICA Global-300 2008 Report

5 Table published in the official web site of the World Bank and which shows the GDP rates of the countries (Access: 26.04.2010 Address: <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD/countries?display=default>)

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As can be observed in the Table above, when the cooperatives in the ICA 2008 List are categorized according to countries, their total turnover exceeds the GDP rates of many countries, such as Venezuela, Nigeria, Israel, Singapore, Czech Republic, Pakistan, Romania, Egypt and Slovenia. The French cooperatives with the highest rate of turnover as **197.6 billion dollars** have achieved an economic growth nearly in the same level with Portugal.

This information proves that the cooperatives find their best implementation area in the market economies. Cooperatives reduce the weakness in the free market economies and act as balancing mechanism in order to enable some economic actors to have a role in the economic system. Therefore, several countries dominated by the market economy issued legal and institutional regulations which promote and support the development and working conditions of cooperatives.

Moreover, problems such as deepening of the financial crisis, increase in unemployment, social exclusion and increase in poverty in the world during the 1980s have featured new solution seeking to the benefit of the society. The developments in the globalization process, shrinking of the public sector as a result of privatization, the inability of the public sector to solve the increasing social problems and the private sector's attitude of addressing the social problems only to seek profits by its very nature have revived a new economic, social and political approach called "social economy" or "the third system" or "the third sector"⁶.

Within this scope, the cooperatives in the developing sector as well as such organizations are defined as "the third sector". Today, the states increasingly tend to transfer a significant number of their functions to non-governmental organizations and the third sector, also including the cooperatives, start to undertake important and new functions on this matter.

However, the cooperatives have an important place in the economic and social area in the European Union and they are regarded as a kind of economic enterprise. There are 250.000 cooperatives in the European Union. Moreover, these cooperatives are also vital since they offer job opportunities to 5.4 million people. These enterprises affect the lives of more than 163 million members⁷.

6 Seyma Ipek Kostekli, Employment Strategies and an employment model proposal for Turkey, Istanbul University Social Sciences Institute, Department of Labour Economics and Industrial Relations, Doctoral Thesis, Istanbul-2005, pg. 97

7 Official Web site of the European Commission (Access: 29.10.2011 Address: http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/co-operatives/index_en.htm#h2-1).



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The European Commission reported that the cooperatives present a good basis in order to realize their community targets in the Consultation Document titled “Cooperatives” under the framework of “European Initiative” in 2001 (The Commission of the European Communities 2001:26). The social and economic functions of the cooperatives in this Document are listed as follows:

- Cooperatives correct the market failure and encourage an efficient market organization,
- They ensure that the small industrial enterprises can merge as larger and stronger economic structures without losing their autonomy,
- They increase the power of the individuals or small enterprises in the market by coordinating supply of products or service,
- They ensure that the members with low capital rates have a word in economic decisions,
- They ensure that the members of the cooperatives/ citizens can adjust or detect their service requirements,
- Since the benefit of the partners are at the forefront rather than the value regarding the shareholders, the cooperatives consider the future more. The partners of the cooperatives are less unstable than the company shareholders,
- They provide opportunity for the people who cannot be employed in a high position to gain experience in management,
- They ensure the economic integration of the large majority of the population,
- They provide opportunity for the local markets, meet the local needs thanks to a close relationship with the residents and revive the economic activity in their region or in the relevant sector,
- They contribute to the stability. Since the objective of the cooperatives is to encourage the members rather than gaining a maximum profit, they usually survive and become successful if they are able to maintain service to the members. This does not apply to the commercial partnerships established by the inventors,
- Since they are managed democratically and help to participate in management in economic terms, they give confidence, create social capital and safeguard it.

These features help the cooperatives to be convenient for the strategies on regional development.

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Moreover, the cooperatives are integral parts of both the society and the economy in the EU and all over the world. Their important role in creating employment, the mobilization of the resources, the encouragement of the inventions and economy in general are appreciated more day by day.

Considering all these benefits, cooperatives are supported by the public in international practices⁸. While public support is ensured for the cooperatives throughout the world, some principles remain at the forefront respectively: to give particular importance to the sustainability of the cooperatives activities, not to make the cooperatives dependent on public support while maintaining their activities, to provide start up support or main capital based on public financing and to ensure that the cooperatives receiving the financing seek profit even if they operate to achieve their social aims.

In most of the EU member states, cooperatives have difficulty in accessing to low interest loans. Within these requirements, providing funds to the cooperatives by the governments has become a current issue; thus the European Commission has invited the member states to provide support to the member states.

The Commission issued its Communication No. 52004DC0018 on the promotion of cooperative societies in Europe. In the 6th Title of Action of the Communication, the Commission agreed to include a specific reference to cooperative enterprises in the financial instruments managed by the European Investment Fund. The European Commission also reported that the cooperatives will be subject to specific taxation treatment so as to maintain their competitiveness with the companies and survive in the economy. Some Member States such as Belgium, Italy and Portugal still implement specific taxation treatment to the cooperatives.

The European Commission provides financial support to the cooperatives in the member states at intervals. The decision on granting to the agricultural cooperatives in the Liguria region (Italy) in 1998 can be an example of this support (31999DO298). Within the framework of this Decision, the Law provides for capital grants up to 55% of the total permissible expenditure on investments such as construction, storage, processing and marketing of agricultural products, the purchase of plant and equipment.

Moreover, it is observed that the cooperatives have reduced the weakness in the free market economy in Italy, the rate of the corporation tax levied from these organizations has been reduced, their reduced funds have been exempted from the taxation, and the cooperatives are enabled to win preferred tenders and to have a discount in national insurances. Furthermore, Marconi Funds provide financial aid to the cooperatives and social initiatives. This fund has been a significant structure to maintain the social entrepreneurship in Italy for a long time and to carry out this entrepreneurship on the basis of common social benefits and gains.

⁸ UN Food and Agricultural Organization <http://www.fao.org/docrep/003/w5069e/w5069e04.htm>



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In England, Solidarity Bond acts as an agent for the establishment and promotion of the unions. The organization of the solidarity bond provides a great freedom and sustainability to the social initiatives. In Scotland, successful cooperatives carrying out sustainable economic activities and social initiatives are provided with financial aids (grants). One third of these grants are met by the Directorate of National Lottery and two thirds of these by the government.

In the U.S.A, the cooperatives are provided with privileges, money and technical aids. These privileges include according special and exclusive rights to the cooperatives, adjusting the markets to the benefit of the members and cooperatives through the fixed prices, providing low rate loans, grants and some taxation advantages.

3.2. International Principles for the Practices on Cooperatives

The development of the cooperatives is encouraged by the international organizations and/or the basic documents published by the regional integrations such as the EU since they contribute to the elimination of poverty, a fair distribution of income and the development of the countries.

The most outstanding work regarding the cooperatives is realized by the International Cooperatives Alliance, The United Nations and The International Labour Organization in the world. Work is under way particularly on the approach of the states to the cooperatives. These works set ground for the adjustments and the practices on cooperatives all over the world. Therefore, it is necessary to take these adjustments as a reference for the efforts to develop policies on cooperatives in our country.

Within this scope, the main documents on the cooperatives are listed as follows:

ICA Statement on the Cooperative Identity (1995):⁹

In the 31st Congress of the International Cooperatives Alliance (ICA) which was held in Manchester, England between 20th and 23rd September 1995, the cooperative principles were addressed and shaped. New regulations introduced by the restructured principles can also be felt on the meaning of a cooperative. According to this definition, a cooperative is **“an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise”**.

⁹ ICA Statement on the Cooperative Identity: (International Cooperative Alliance, The Cooperative Identity, Vol.88.No.4/1995. 85f.)

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In this definition, the basic values of the cooperatives are defined as self-help, self-responsibility, democracy, equality, justice, honesty and solidarity.

The following 7 principles have been determined to put these values into practice:

1. Voluntary and Open Membership: Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2. Democratic Member Control: Cooperatives are democratic organizations 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 primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

3. Member Economic Participation: Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, “part of which at least would be indivisible”; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. Autonomy and Independence: Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. Education, Training, and Information: Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.



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6. Cooperation among Cooperatives: Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

7. Concern for Community: Cooperatives work for the sustainable development of their communities through policies approved by their members.

The United Nations Guidelines (2001)^{10 11:}

The United Nations, realizing the potential of and contribution of cooperatives to the elimination of the poverty and the development of countries and aiming to benefit from this, has given particular importance to cooperatives since the 1950s. Within this framework, The Committee for the Promotion and Advancement of Cooperatives (COPAC) was established in 1971. The report of the Secretary General titled “The Status and the Role of Cooperatives in the Light of New Economic and Social Trends” in 1992 made a breakthrough for these works. The International Cooperatives Day started to be celebrated and cooperatives have been promoted more. The United Nations General Assembly required all the governments in the world to create a supportive environment for the development of cooperatives by its Resolution dated 2001 and No. A/RES/56/114 and approved a Guide which was prepared within this respect. This Guide addresses the necessary legal, judicial and administrative activities in order to promote the cooperatives and the opportunity to benefit from the public funds.

The second, third and the fifth paragraphs of this Resolution are as follows:
[General Assembly]

“2. Draws the attention of Member States to the draft guidelines aimed at creating a supportive environment for the development of cooperatives, to be considered by them in developing or revising their national policies on cooperatives;

“3. Encourages Governments to keep under review, as appropriate, the legal and administrative provisions governing the activities of cooperatives, with a view to ensuring a supportive environment for them and to protecting and advancing the potential of cooperatives to help them to achieve their goals.”

10 United Nations Guidelines: (The 2001 United Nations Guidelines aimed at creating a supportive environment for the development of cooperatives (UN doc. A/RES/54/123 and doc. A/RES/56/114 (A/56/73- E/2001/68; Res./56)).

11 Evren GULDOGAN, Adjustment and Promotion of the Agricultural Cooperatives, Institutional Basis, International Principles and Practices on the EU olive Sector , S.S. Taris Olives and Olive Oil ASC Union, Izmir 2007, pg. 38-47

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“5. Invites Governments, in collaboration with the cooperative movement, to develop programs to promote and strengthen the education of members, the elected leadership and professional cooperative management, where appropriate, and to create or improve statistical databases on the development of cooperatives and on their contribution to national economies;”

In the World Summit on Sustainable Development as a continuation of the International Conference on Financing for Development which was held in 2002 and the United Nations Conference on Environment and Development in 1992, some decisions were adopted on cooperatives and these decisions and including the review of the previous decisions for a five- year of period were approved by the Resolution of the General Assembly dated 19 January 2004 and No. A/RES/58/131. The Secretary General demanded that the following measures should also be taken apart from the Guideline by its report dated 16 June 2003 and No. A/58/159:

1. National cooperative training and information centres should be strengthened and services such as information and referral, consultancy and training (including entrepreneurship development) should be provided to cooperatives in an integrated package.

2. A stronger focus is needed on the integration and strengthening of national and international cooperative networks so as to facilitate the exchange of ideas, experiences and good practices.

3. COPAC should organize research on the cooperative model in order to demonstrate where it works best and where it can be used innovatively; and develop the means to share among States best practices and lessons learned.

4. The United Nations should provide further assistance for human resources development, technical advice and training. The Last Report on Cooperatives and Social Development” dated 15 June 2005 and No. A/60/138 addresses the potential of and contribution of the cooperatives to the elimination of poverty in accordance with the Copenhagen Declaration in the tenth year of World Summit on Sustainable Development. In the Resolution dated 31 January 2006 and No. A/ RES/60/132 which was approved accordingly, it was underlined that the organizational, managerial and financial qualifications of the cooperatives inter alia should be strengthened and their capacity should be developed.

Moreover, 2012 was declared as the International Year of Cooperatives in the General meeting of the United Nations which was held on 18.12.2009 in order to support the role of cooperatives in the social development. The fact that the United Nations declared 2012 as the “International Year of Cooperatives” indicates that the moves regarding cooperatives have been understood completely all over the world.



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ILO Recommendation No. 193 (2002)¹²:

The International Labour Organization (ILO) focuses on the benefits of the cooperatives on employment, good working conditions and a fair income distribution through their economic and social functions. In the 90th Session of the International Working Conference which was held in 2002, the supreme decision-making body of the organization, the Recommendation No. 193 titled “The Promotion of Cooperatives” was approved¹³. With this Recommendation, the Session of the International Working Conference recognized the importance of cooperatives in job creation, mobilizing resources, generating investment and their contribution to the economy, that cooperatives in their various forms promote the fullest participation in the economic and social development of all people, that globalization has created new and different pressures, problems, challenges and opportunities for cooperatives, and that stronger forms of human solidarity at national and international levels are required to facilitate a more equitable distribution of the benefits of globalization. Moreover, it was also noted that **a balanced society necessitates the existence of strong public and private sectors, as well as a strong cooperative, mutual and the other social and non-governmental sector.**¹⁴

In order to revise their legislation on cooperatives, 70 countries have practiced upon this Recommendation which addresses the targets concerning cooperatives, the policy framework, the role of the governments and the necessary measures they should take in this respect.

In addition to the Guide which was approved by the United Nations General Assembly aiming to create a supportive environment for the development of cooperatives, this Document include the most important international principles of cooperatives. Therefore, the Guide and the Recommendation should be regarded as the complementary texts of each other¹⁵.

The main issues underlined in the Recommendation concerning the role of the state in the development of cooperatives are addressed within the following framework:¹⁶

12 ILO Recommendation No. 193: (The 2002 International Labour Organization Recommendation No.193 concerning the promotion of cooperatives)

13 GULDOGAN, ibid pg. 47-54

14 ILO Recommendation No. 193

15 GULDOGAN, ibid pg. 47-54

16 Jürgen SCHWETTMANN – Hüseyin POLAT, The Role of ILO on the development of Cooperatives, - With Specific References to ILO Recommendation No. 193 -, Communiqués of the 17th International Turkish Cooperatives Congress, Ankara 2002, pg.106 – 108.

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This Recommendation assigns significant duties to the state in order to create a legal framework which enables the cooperatives to survive and develop. The state aid should conform to the values and principles on cooperatives. It is expected that this activity should include a supportive policy, legal and institutional framework, support measures should be taken particularly when it is important to realize public and social objectives (namely, supporting the cooperatives activities in terms of their types, rather than supporting the cooperatives in general), the cooperatives should have the same treatment with the other enterprises and social organizations, measures should be taken to enable disadvantaged groups to access financial resources and to record the undeclared work. It is also expected that the cooperatives should benefit from support services for cooperatives in order to increase the work performance. It is agreed that the development of human resources is of primary importance. The success of the cooperatives is attributed to the success of the cooperatives in developing comprehensive human resources programs (members, employees and managers).

Moreover, the Recommendation encourages the state to take measures aiming to teach the cooperatives values and the advantages and benefits of the cooperative movement, that the national policies should encourage developing the technical and vocational skills, entrepreneurial and managerial abilities, knowledge of business potential, and general economic and social policy skills, of members, workers and managers, and improving their access to information and communication technologies. This Recommendation also refers to the role of the state in promoting the safety and health in the workplace, improving the level of productivity and competitiveness, facilitating access of cooperatives to credits, markets and information, extending the similar events concerning the institutional management, strengthening the gender equality, protecting the rights of the workers employed in the cooperatives and promoting the vertical and horizontal relations among the cooperatives.

Furthermore, the Recommendation requires the Governments to consult cooperative organizations, as well as the employers' and workers' organizations concerned, in the formulation and revision of legislation, policies and regulations applicable to cooperatives.

The European Union Regulation on the Statute for a European Cooperative Society (SCE) and Supplemental Directive (2003)¹⁷:

17 The EU Statute for a European Cooperative Society (SCE) and Supplemental Directive (2003): (The



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The Council of the EU approved and published the European Union Regulation on the Statute for a European Cooperative Society [Statut de la Société Coopérative Européenne (SCE)] on 22 June 2003, which was on the agenda for a long time. The EU Statute for a European Cooperative Society (SCE) has become a binding document for the EU member states as of 18.8. 2006 and shall apply to the cooperatives established by the citizens of at least two member states. This Regulation helps the member states with the legal arrangements, aims to converge the relevant legislations and make references to the UN (2001) resolutions, ILO Recommendation (R193) and ICA principles (1995). This legislation governs the legal affairs concerning the cooperatives which carry out their activities throughout the EU.

Some other directives also have provisions regarding the cooperatives. The Council Directive 2003/72/EC of 22 July 2003 supplementing the Statute for a European Cooperative Society with regard to the involvement of employees (2003) governs and coordinates the legal and administrative provisions on the roles of the employees in the SCE.

The Commission Communication on the Promotion of the Cooperative Societies in Europe (2004)¹⁸:

In order to promote the cooperatives which are considered as an important type of enterprise for jobs and creating employment, The Commission Communication on the Promotion of the Cooperative Societies in Europe (Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of Regions on the promotion of cooperative societies in Europe (COM(2004) 23.02.2004) was published by the European Commission.

European Union Regulation on the Statute for a European Cooperative Society (Council Regulation (EC) No. 1435/2003) and Council Directive 2003/72/ EC supplementing the Statute with regard to the involvement of employees (O.J. No. L 207 of 18/8/2003).

18 The Commission Communication on the Promotion of the Cooperative Societies in Europe: (The Communication from the European Commission to the Council and the European Parliament, the European Economic and Social Committee and the Committee of Regions on the promotion of co-operative societies in Europe, 23.02. 2004, COM (2004).

This Communication underlines that cooperatives have important functions in fields like employment policy, social integration, regional and rural development and agriculture and within this framework, it is essential to reform the relevant legislation and to provide the convenient environment for the establishment of the cooperatives. This Communication envisages that cooperative organizations and the Commission should carry out a set of activities so that the member states can benefit from the potential of the business world more.

The Communication of the Commission sets out the targets as “Ensuring an Accurate Understanding of the Sector”, “The Promotion of Cooperatives” and “Providing a Suitable Regulatory Environment.

3.3. Cooperatives in Turkey

It is agreed that the first implementation of the modern cooperatives in Turkey started with the “Country Fund” (Memleket Sandigi) (a body similar to agricultural credit cooperatives) which was established by the state in 1863. However, the first significant development was realized during the Republic Period.

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All legal arrangements on the cooperatives between 1920 and 1938 were realized in the leadership of ATATURK.¹⁹

However, one of the most important developments of the post- Planned Period was without doubt the inclusion of a provision on cooperatives in the Constitution. Article 51 of 1961 Constitution includes the provision as “The Government shall take all the measures to improve the cooperatives” and this has made the state more active and responsible for the advancement of cooperatives.

First of all, cooperatives were implemented in agricultural fields and focused on this field because of the social and economic factors. Later, cooperatives became common in fields like transportation, consumption, credit- surety, but particularly in the construction of houses / workplaces due to the changes in economic and social structure and new emerging requirements.²⁰

Today, there are 84.232 cooperatives in 26 different types which carry out their activities under the assigned duties and responsibility of MoCT, MoFAL and MoEUP and the total number of the members of these cooperatives is 8.109.225.²¹

¹⁹ Ferhat ERCIN, Distinctive Features of Cooperatives’ Legal Entities in the Turkish Law System, Doctoral Thesis, Marmara University, Social Sciences Institute, Istanbul 2002, pg. 44-45.

²⁰ ORHON OZCAN, The Historical Development of Cooperatives in Turkey and the Cooperatives in the Republic Period, Post- Graduate Thesis, Marmara University, Social Sciences Institute, Department of Business Administration, Sciences of Cooperatives, Istanbul 2007, pg. 108.

²¹ The Ministry of Industry and Trade was substituted by the Ministry of Customs and Trade on the basis of the Law No. 640 on the Organization and Duties of the Ministry of Customs and Trade published in the Official Gazette dated 08.06.2011 and No. 27958, The Ministry of Agriculture and Rural Affairs was substituted by the Ministry of Food, Agriculture and Livestock on the basis of the Law No. 639 on the Organization and Duties of the Ministry of Food, Agriculture and Livestock published in the Official Gazette dated 08.06.2011 and No. 27958, The Ministry of Public Works and Settlement was substituted by the Ministry of Environment and Urban Planning on the basis of the Law No. 644 on the Organization and Duties of the Ministry of Environment and Urban Planning published in the Official Gazette dated 04.07.2011 and No. 27984.



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Table 6- Cooperatives According to Their Types and the Number of Members

Relevant Ministry	Cooperative Types	Cooperative		Union		Central Union	
		The Number	The Number of Members	The Number	The Number of Member Cooperatives*	The Number	The Number of Member Unions*
The Ministry of Food, Agriculture and Livestock	Agricultural Development Cooperatives	8.173	842.563	82	4.939	4	77
	Irrigation Cooperatives	2.497	295.984	13	733	1	10
	Fisheries Cooperatives	522	29.972	14	202	1	12
	Beet Planters Cooperatives	31	1.638.981	1	31	-	-
	Agricultural Credit Cooperatives	1.767	1.082.978	16	1.767	1	16
	SUB TOTAL	12.990	3.890.478	126	7.672	7	115
The Ministry of Environment and Urban Planning	Housing Cooperatives	54.996	1.985.076	338	10.525	3	62
	Housing Cooperatives in Small Industry Areas	1.052	127.098	5	142	-	-
	Collective Workplace Housing Cooperatives	1.810	103.536	7	116	-	-
	SUB TOTAL	57.858	2.215.710	350	10.783	3	62
The Ministry of Customs and Trade	Agricultural Sales Cooperatives	322	602.248	17	322	-	-
	Free ASC	22	2.245	-	-	-	-
	Tobacco Agricultural Sales Cooperatives	66	23.414	-	-	-	-
	Raw Vegetables and Fruit Cooperatives	37	2.886	-	-	-	-
	Consumers' Cooperatives	2.970	288.063	17	155	1	9
	Motor Carriers Cooperatives	6.734	199.220	42	754	1	15
	Tradesmen and Craftsmen Cooperatives	993	685.105	32	894	1	32
	Small Art Cooperatives	331	10.043	5	14	-	-
	Supply and Delivery Cooperatives	344	24.497	-	-	-	-
	Tourism Development Cooperatives	391	17.448	3	33	-	-
	Production Marketing Cooperatives	483	22.491	5	429	-	-
	Supply Guarantee Cooperatives	7	599	-	-	-	-
	Publishing Cooperatives	31	767	-	-	-	-
	Carrier's Cooperatives	11	586	-	-	-	-
	Management Cooperatives	585	98.769	1	7	-	-
	Insurance Cooperatives	3	15	-	-	-	-
	Solidarity Cooperatives	24	22.160	-	-	-	-
	Training Cooperatives	30	2.481	-	-	-	-
SUB TOTAL	13.384	2.003.037	122	2.608	3	56	
FINAL TOTAL	84.232	8.109.225	598	21.063	13	233	

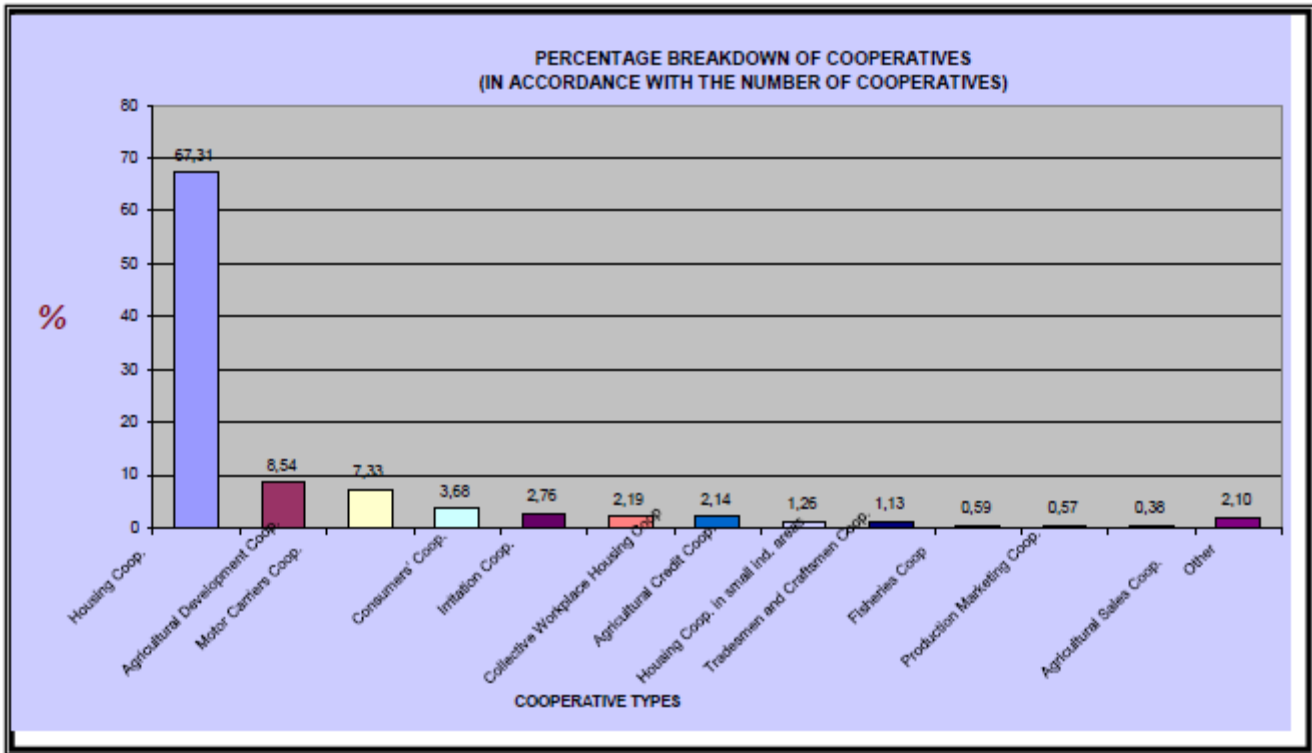
*Reference: MoCT, MoFAL and MoEUP (*Cooperative, *Union.)*

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If we divide cooperatives as agricultural and non- agricultural ones, we notice that about 13.000 of 84.000 cooperatives were established as agricultural cooperatives, while about 71.000 was established as non- agricultural ones. The highest number of cooperatives belongs to the housing cooperatives. There are 54.996 housing cooperatives in total and this number accounts for the 65 per cent of the total number of the cooperatives.

Chart 1- The Distribution of Cooperatives According to the Number of Cooperatives



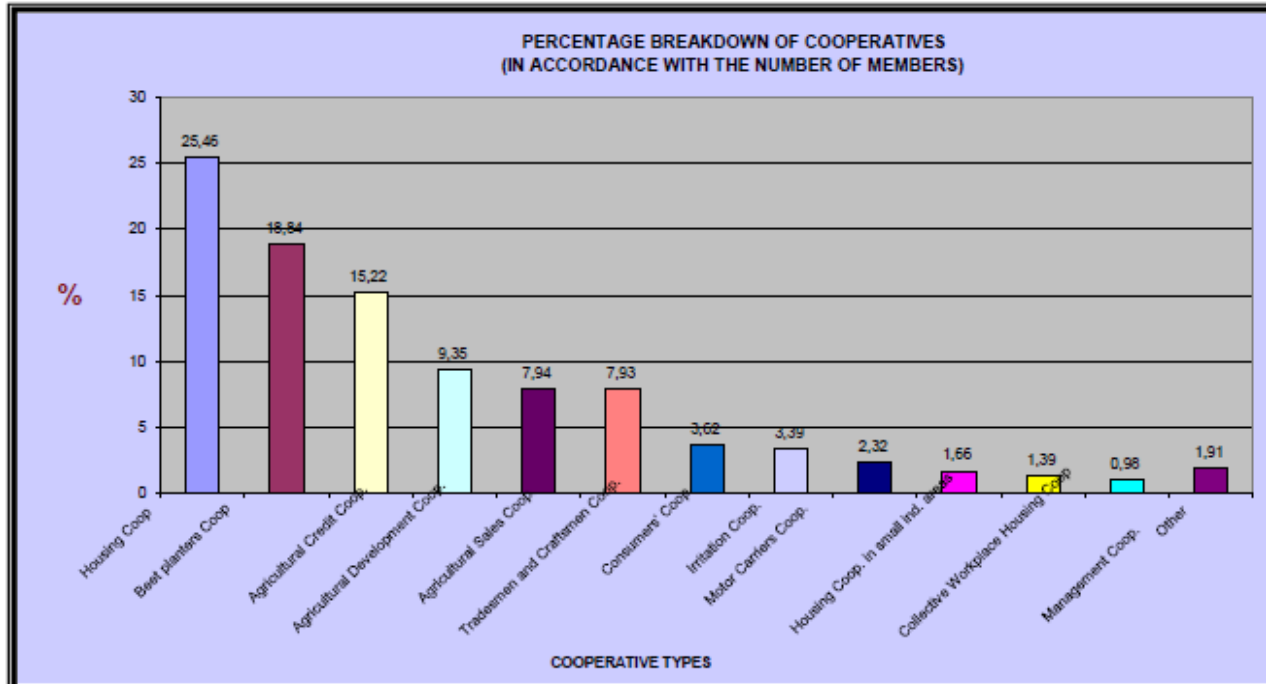
Reference: MoCT, MoFAL and MoEUP

Housing cooperatives rank as the first in terms of the number of their members. 1.985.076 people of 8.109.225 in total are members of housing cooperatives. When a detailed analysis is conducted on the cooperatives and the number of their members, the number of the members of the agricultural cooperatives per cooperative is higher, whereas this number is lower for the non-agricultural ones. The general characteristics of the cooperatives in our country are a structure with fewer members. For example, the average number of the members per cooperative for the housing cooperatives is less than 50.



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Chart 2- The Distribution of Cooperatives According to Their Number of the Members



Reference: MoCT, MoFAL and MoEUP

Moreover, when the number of the cooperatives which were established and closed according to the figures of Turkish Statistical Institute (TurkStat) for 2006-2009 and the figures of The Union of Chambers and Commodity Exchanges (TOBB) for 2010 is examined, it is concluded that the most often established cooperatives was on housing, agriculture and transport. The establishment frequency of the other cooperatives is quite low. Furthermore, no cooperative has been established on the energy sector yet.

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Table 7- Cooperatives which were established and closed according to their economic activities (2006-2010)

Economic Activity Sector	ESTABLISHED						CLOSED					
	2006	2007	2008	2009	2010	(2006-2010)	2006	2007	2008	2009	2010	(2006-2010)
Construction	1.054	771	642	540	739	3.746	332	262	185	203	1.764	2.746
Agriculture, Hunting, Fisheries and Forestry	352	258	154	233	445	1.442	19	22	191	21	107	360
Transportation, Storage and Information	293	227	174	211	186	1.091	8	12	17	11	56	104
Wholesale and Retailing Sales, Motorbikes, Motor Carriers and Repair of Home and Individual Furniture	29	17	14	17	154	231	14	14	13	7	94	142
Activities on Other Social, Communal, Individual Services	5	12	8	6	3	34	-	2	-	-	-	2
Other ¹	18	28	20	30	23	119	5	6	6	1	21	39
GENERAL TOTAL	1.751	1.313	1.012	1.037	1.550	6.663	378	318	412	243	2.042	3.393

Reference: TurkStat and TOBB, *Agenda on Established and Closed Companies*

The cooperatives which were closed have the same trend as the opened cooperatives. The closing frequency of the housing cooperatives which are high in number is more than the others. That is to say, leaving the market because of the economic reasons as can be observed in the other business corporations is not very common. In particular, housing cooperatives are closed when the cooperative has achieved its objective, in other words; when the construction is finalized. For the other cooperatives, they may not achieve their goals or they may incorporate with the other cooperatives. However, the reduction of the number of the established consumers' cooperatives which operate in retailing sector and the increase in the number of the closed ones stem from their inability to compete in the sector.

Legal Infrastructure:

In the Constitution of the Turkish Republic dated 1982 which is still in force, it is adopted that the cooperatives should be developed at a maximum rate. Article 171 of the Constitution envisages that the state shall take measures in keeping with national and economic interests, to promote the development of cooperatives, which shall be primarily designed to increase production and protect consumers.



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The cooperatives in Turkey are established and carry out their activities in accordance with three separate laws according to their types:

1. The Cooperatives Law No. 1163: It is the primary law which governs the cooperatives sector. This Law which helps many cooperatives to be established and developed came into force on 24.4.1969. In accordance with Article 98 of the Cooperatives Law, in cases where there are no explanations on the contrary, the provisions concerning Joint Stock Companies in the Turkish Trade Law are applied.

2. The Law No. 1581 on Agricultural Credit Cooperatives and Unions: Including specific provisions on the establishment and functions of agricultural credit cooperatives, this Law came into force on 18.4.1972. In cases where there are no explanations, the provisions of the Cooperatives Law No. 1163 are applied.

3. The Law No. 4572 on Agricultural Sales Cooperatives and Unions: This is the law which was issued particularly for the agricultural sales cooperatives. This law came into force on 1.6.2000 and governs the issues specific to agricultural sales cooperatives and unions. In cases where there are no explanations, the provisions of the Cooperatives Law No. 1163 are applied.

The definition of a Cooperative:

In accordance with the Cooperatives Law No. 1163, a cooperative is defined in Turkey as follows (after an amendment in 2004): “Cooperatives are bodies with variable members, variable capital, and legal identity that are established by natural and public legal entities and private administrations, municipalities, villages, societies and associations in order to ensure and maintain certain economic interests and especially the needs of their members toward professional life and living standards by means of mutual assistance, solidarity and service as trustees to each other.”

Superior Organization and Union of National Turkish cooperatives:

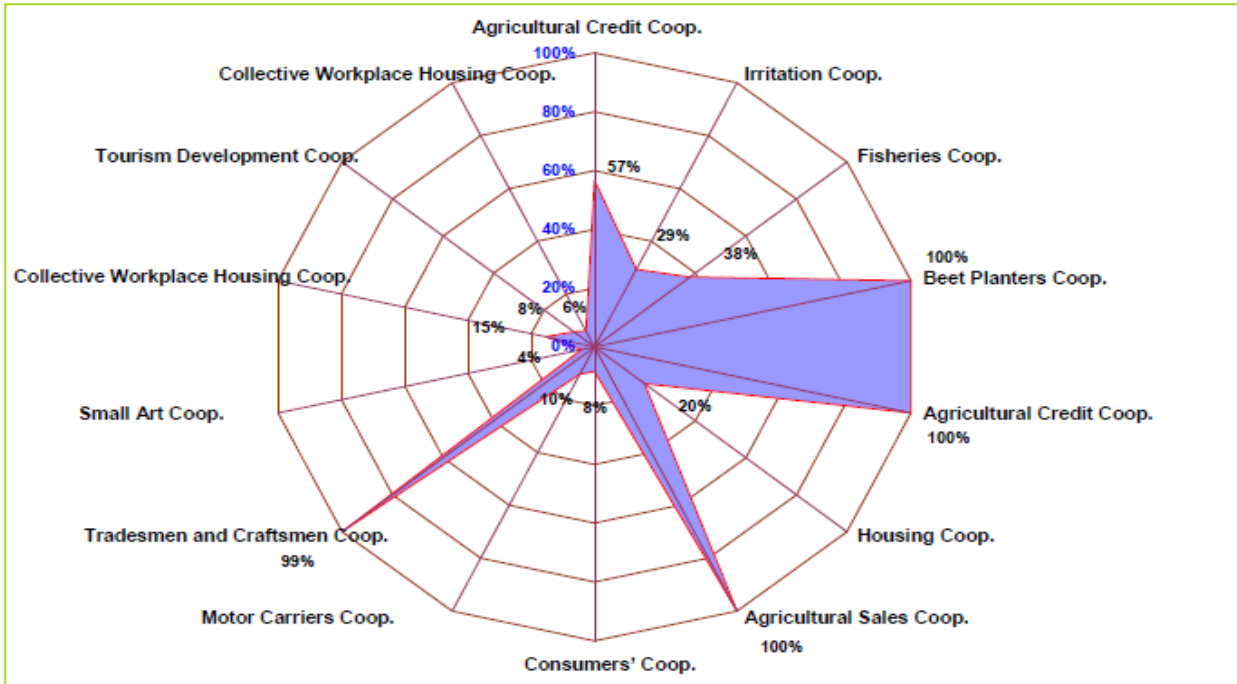
In the Cooperatives Law No. 1163, superior organization hierarchy of the cooperatives is defined as “cooperative, union, central union and national union”. As of today, this structure of the superior organization has been completed. However, the participation of the cooperatives in the organizations which were established is quite low. In general, the participation rate of the cooperatives to the superior organizations is about 25 per cent. When the superior organization in terms of the cooperative types is examined, the participation of the Agricultural Credits, Beet Planters and Agricultural Sales and Turkish Tradesmen and Craftsmen Credit and Guarantee Cooperatives in the superior organizations is high, whereas for the other cooperatives apart from these, this rate is not in the desired level.

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Chart 3- The Participation Levels of Cooperatives in Superior Organizations According to the Type of Cooperatives



Reference: MoCT, MoFAL and MoEUP

The role of the State in the Cooperatives and the Services Provided:

The policy of the state on the cooperatives has been included in the Turkish Constitution since 1961. Moreover, the advancement of cooperatives has often been taken into consideration in the Development Plans and the agricultural cooperatives in particular have been considered as one of the most important development policies. The state used its regulatory power, enacted general and special cooperatives laws and chose to give a different legal status to the cooperatives from the other organizations. Moreover, the state has led the way to establish and develop several cooperatives.

The cooperatives policy has taken a different form in due course due to the changes in the social and economic structures. Within this framework, the cooperatives served as agents to provide funds to the agricultural sector and tradesmen and craftsmen whom the state wished to give financial support to, as organized structures. Moreover, the state relied on cooperatives to solve the housing problems arising from the urbanization. The duty of the state on the promotion of cooperatives under the Turkish Constitution (1982) (Article 171) is primarily evident in the special laws. Within this scope, the duties of the state concerning the cooperatives are laid down in the



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Cooperatives Law No. 1163, The Law on Agricultural Sales Cooperatives and Unions No. 4572, The Law on Agricultural Credit Cooperatives and Unions No. 1581, Decree Law on the Organization and Duties of the Ministry of Customs and Trade No. 640 , Decree Law on the Organization and Duties of the Ministry of Food, Agriculture and Livestock No. 639 and Decree Law on the Organization and Duties of the Ministry of Environment and Urban Planning No. 644. The housing cooperatives were under the authority and power of MoCT, but they were assigned to MoEUP by the Law dated 03.06.2010 and No. 5983 and as of 13.12.2010 when the assignment became effective, the services regarding about 60.000 housing cooperatives have been carried out by MoEUP.

The second paragraph of Supplementary Article 1 of the Law No. 1163 was replaced by Article 4 of the mentioned Law as follows: “The term ‘Related Ministry’ should be understood as the Ministry of Agriculture and Rural Affairs for those cooperatives and their superior institutions with agrarian fields of activity, the Ministry of Public Works and Settlement for the housing cooperatives and their superior institutions and the Ministry of Industry and Trade for the other cooperatives and their superior institutions”

Within this framework, the services provided to the cooperatives in Turkey are often carried out in accordance with the regulations in these laws and the services regarding the establishment, operation, audit and training of cooperatives are governed by the relevant Ministries (MoCT, MoFAL, MoEUP).

Today, some cooperatives types are given financial support by the state and these financial aids are aimed for the agricultural sector and the cooperatives established by the tradesmen and craftsmen. Within this framework, project support is provided to the agricultural cooperatives in accordance with the provisions of the Regulation on the Credits to be utilized by the Agricultural Cooperatives” and Agricultural Credits and Tradesmen and Craftsmen Credit and Guarantee cooperatives are granted credits. Moreover, credits are also granted to the housing cooperatives in the small industrial areas for infrastructure and superstructure. Agricultural sales cooperatives have recently utilized from Support and Price Stabilization Fund (DFIF). However, the credits for lands and loans recently granted to the housing cooperatives are almost non-existing now.

3.4. The performance of Turkey in terms of the Practices in the World

When the systems and practices in the other countries are compared, it is a fact that the cooperatives in our country have achieved the wished performance in terms of their potentials. Within this regard, the deficiencies, troubles and incapability faced by the cooperatives in Turkey in comparison with the successful cooperatives in the world are listed under the following titles:

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- Due to the insufficient superior organization, the services on training, financing, audit, consultancy, technical and legal support for the cooperatives are low.
- The share of the cooperatives in the figures related with “National Income, Production, Employment, Investment, Foreign Trade and their share in the sector which they provide services in are not known well in Turkey.
- The cooperatives in Turkey can only develop in terms of their numbers (the number of the cooperatives) and a sound cooperative structure and understanding have not been ensured.
- The rate of establishing cooperatives in the community is low.
- The cooperatives are more common in housing and agricultural sector, but no cooperative has been established in the sectors such as retailing, credit- financing, insurance, the energy generation, education and health.

4. SITUATION ANALYSIS

4.1. SWOT Analysis

SWOT Analysis regarding the country cooperatives has been utilised, by taking internal and external factors into account, to make the most of current strengths and opportunities, to remedy the weaknesses, to take measures with the aim of minimizing the effect of threats and to develop new strategies accordingly.

This analysis has been constructed by compiling the results of the process of “Regulatory Impact Analysis Report on the Re-regulation of the Legal Framework of the Cooperatives Sector” prepared in 2008 by the Ministry of Customs and Trade and the Ministry of Food, Agriculture and Livestock and the “Survey of the Cooperatives Sector” carried out in this process with many individuals and institutions; the opinions of the institutions and organisations, which are considered under the scope of the work of amending Cooperatives Law No. 1163; workshops on “Policies and Legislation on Cooperatives” and “Audit of Cooperatives and Systemizing the Audit” realized with broad participation on 24-26 December 2008, within the framework of IRFO Project; and lastly the contributions, opinions and proposals presented in the approximately twenty meetings made during the preparation of the strategy document, of the representatives of cooperative superior institutions, public institutions and organisations, non-governmental organizations, unions, universities and international organizations (ILO, ICA).



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SWOT ANALYSIS					
Internal Factors	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #e8f5e9;">Strengths</th> <th style="background-color: #e8f5e9;">Weaknesses</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> <ul style="list-style-type: none"> → Long-standing and deep-rooted experience in terms of cooperatives in Turkey, → Legal guarantee in the Constitution and in the legislation for the development of cooperatives, → Existence of cooperatives country-wide and in many sectors, → Successful examples of cooperatives in many fields, → Existence of strong cooperatives like Turkish Agricultural Credit Cooperatives, TESKOMB, PAN- KOBİRLİK → Cooperatives' potential of being the largest non-governmental organization in the country, in terms of the number of members, → Specific advantages of cooperatives business model, → Great number of potential sectors and fields suitable to embody cooperatives in Turkey. </td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> → Unit cooperatives' having few members and their small-scale structure, → Increase in the number of cooperatives in the fields of housing and agriculture, but low activity level in other sectors, → Low education level of the members, especially the members of agricultural cooperatives, → Neglect of the members of the cooperative activities and their low comprehension of economic events, → Lack of knowledge and experience of the cooperative managers regarding the business management and not being able to employ professional managers, → Setting no condition of training and certification for become a member of the Executive Board, → Low social capital which also covers 'interpersonal confidence, solidarity and the culture of carrying out business together in the overall society, → Lack of established cooperative culture and awareness towards cooperatives, and not fully comprehending the contributions and benefits of economic cooperation, → Lack of sufficient training, publishing, research and development (R&D) activity → Concerns of confidence and image caused by the problems experiences in some kinds of cooperatives, → Troubles regarding the implementation and speedy decision making resulting from the bureaucracy within the cooperatives, → Great number of inactive cooperatives waiting liquidation, → Problems faced by the cooperatives in constant access to finance and the lack of guarantee, → Lack of capital caused by the cooperative members' having low share of membership, → Inadequate superior organization and not providing sufficient cooperation at every level among the cooperatives, → Inadequate training, audit, consultancy and technical service for the unit cooperatives, caused by in effective superior organization, → Lack of institutions to provide legal consultancy, → Ineffective internal and external audit mechanisms and their inadequacy in providing the expected benefit, → Inadequate statistical data regarding the social and economic importance of cooperatives, → Deficiency in establishing an effective and sustainable cooperatives policy → Incapability of the law in matters like general surveillance, regulation, audit and sanction; 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SWOT ANALYSIS					
External Factors	<table border="1"> <thead> <tr> <th>Opportunities</th> <th>Threats</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> → widening the awareness regarding the contribution and benefit of cooperatives in solving many social and economic problems in the world, → Cooperatives' potential of providing service and creating employment in the fields other than the governmental and private sectors, within the framework of the third system approach, → Increasingly growing interest of the EU and other international organizations towards the development model through cooperatives and provision of resources on the basis of projects, → Increase in the cooperation among unit cooperatives in international fields in the recent years → Momentum towards having 'conscious and sound' cooperatives with the increase in the education level of the society, → Gradual development of the manufacturing, communication </td> <td> <ul style="list-style-type: none"> → Increasingly decreasing state aid for the cooperatives, inadequate works regarding the development of cooperatives of public institutions other than the related ministries, or inadequate interest towards the issue, → Works to eliminate the advantages granted to cooperatives in some fields, with the effect of various factors, → Increasingly decreasing of interest towards cooperatives of the non-governmental organizations (unions, trade associations, consumer associations), → Negative effect of the economic scale size resulting from the company mergers on the competitive power and market share of the cooperatives, → Multinational companies' posing a threat for the "local" superiority and privileged position of cooperatives, → Increasing global and economic risks </td> </tr> </tbody> </table>	Opportunities	Threats	<ul style="list-style-type: none"> → widening the awareness regarding the contribution and benefit of cooperatives in solving many social and economic problems in the world, → Cooperatives' potential of providing service and creating employment in the fields other than the governmental and private sectors, within the framework of the third system approach, → Increasingly growing interest of the EU and other international organizations towards the development model through cooperatives and provision of resources on the basis of projects, → Increase in the cooperation among unit cooperatives in international fields in the recent years → Momentum towards having 'conscious and sound' cooperatives with the increase in the education level of the society, → Gradual development of the manufacturing, communication 	<ul style="list-style-type: none"> → Increasingly decreasing state aid for the cooperatives, inadequate works regarding the development of cooperatives of public institutions other than the related ministries, or inadequate interest towards the issue, → Works to eliminate the advantages granted to cooperatives in some fields, with the effect of various factors, → Increasingly decreasing of interest towards cooperatives of the non-governmental organizations (unions, trade associations, consumer associations), → Negative effect of the economic scale size resulting from the company mergers on the competitive power and market share of the cooperatives, → Multinational companies' posing a threat for the "local" superiority and privileged position of cooperatives, → Increasing global and economic risks
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4.2. Privileged Fields of Trouble

Based on the results of the SWOT Analysis which is the outcome of a long work carried out with a participative approach, strategically important and privileged fields of trouble that the cooperatives strategy will focus on have been classified with the partner organisations as given in the below table and the source and the nature of the fields of trouble have been explained jointly in the following parts.



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Table 8-Relation between the SWOT Analysis and the Privileged Fields of Trouble

SWOT Analysis (Weaknesses and Threats)	Privileged Fields of Trouble
<ul style="list-style-type: none"> → Deficiencies experienced in establishing an effective and sustainable cooperatives policy, → Inadequate general surveillance, regulation, audit and sanctions from the point of the public and the need of the cooperatives for resources, authority and re-organization, → Inadequate statistical data regarding the social and economic importance of the cooperatives, → Increasingly decreasing state aid for the cooperatives, inadequate works regarding the development of cooperatives of public institutions other than the related ministries, or inadequate interest towards the issue, → Works to eliminate the advantages granted to cooperatives in some fields, with the effect of various factors, 	<p>Troubles faced in terms of providing service to public and establishing an atmosphere convenient for cooperatives</p>
<ul style="list-style-type: none"> → Lack of sufficient training, publishing, research and development (R&D) activity, → Low education level of the members, especially the members of agricultural cooperatives, → Neglect of the members of the cooperative activities and their low comprehension of economic events, → Lack of established cooperative culture and awareness towards cooperatives, and not fully comprehending the contributions and benefits of economic cooperation, → Increasingly decreasing of interest towards cooperatives of the non-governmental organizations (unions, trade associations, consumer associations, etc.), 	<p>Inadequacies in the training, awareness raising and research activities</p>
<ul style="list-style-type: none"> → Unit cooperatives' having few members and their small-scale structure, → Inadequate superior organization and not providing sufficient cooperation at every level among the cooperatives,, → Inadequate training, audit, consultancy and technical service for the unit cooperatives, in conjunction with the inadequate superior organization, → Increase in the number of cooperatives in the fields of housing and agriculture, but low activity level in other sectors, → Low social capital which also covers 'interpersonal confidence, solidarity and the culture of carrying out business together in the overall society, → Multinational companies' posing a threat for the "local" superiority and privileged position of cooperatives, → Negative effect of the economic scale size resulting from the company mergers on the competitive power and market share of the cooperatives. 	<p>Problem of Organization and cooperation among the cooperatives</p>
<ul style="list-style-type: none"> → Problems faced by the cooperatives in constant access to finance and the lack of guarantee, → Lack of capital caused by the cooperative members' having low share of membership, , → Increasing global and economic risks. 	<p>Lack of capital and problem in access to suitable financing</p>
<ul style="list-style-type: none"> → Ineffective and not guiding nature of internal and external audit mechanisms, → Concerns of confidence and image caused by the problems experiences in some kinds of cooperatives, 	<p>Problem of audit and image</p>
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<ul style="list-style-type: none"> → Troubles caused by legislation, implementation and the long duration of the judgement process, → Great number of inactive cooperatives waiting liquidation, → Lack of institutions to provide legal consultancy. 	<p>Problems stemming from the legislation and the implementation</p>



1. Troubles faced in terms of providing service to public and establishing an atmosphere convenient for cooperatives

Since the starting date of the institutionalization of the cooperatives movement in Turkey, interventionist approach as well as the supportive and guiding effect of the state have always been felt. State has exerted effort to show close interest to cooperatives and tried to guide them; has affected implementation with the laws enforced by taking the initiative over the cooperatives, with the aim of supporting the development of cooperatives and improving the social and economic atmosphere; has continued to have a say officially in the management of cooperatives like agricultural sales cooperatives and unions, and agricultural credit cooperatives and unions which are highly effective in terms of economic activity by means of the regulations made. In this respect, controlled cooperatives financially supported by the state and which are under the supervision of it, have become widespread and developed.²²

Public support and the accompanying interventions increased the dependency of the cooperatives to the state and cooperatives have almost become a public institution. This condition has negatively affected the standpoint of the cooperative members, and the concepts of cooperative and state have turned out to be confusing. In line with this, cooperatives have not been adopted fully by the members and awareness of membership has not been developed. An impressive example of this fact is that in the “Survey of the Cooperatives Sector” made in 2008 by MoCT and MoFAL, a close ended question regarding the relation of state and cooperatives was asked to the members of the agricultural cooperatives and 34% of them answered: ‘cooperatives should be among the public institutions’. This answer shows that the perception continues to be in the mentioned direction.

Generally, agricultural sales and credit cooperatives which have acted like public institutions for years and housing cooperatives which have often mentioned with failures and corruptions have always been the prominent side of the cooperatives; and the fact that cooperatives are private initiatives and their solidarity and manufacturing nature have been neglected or have remained hidden.

In terms of the public administration in the present Turkey, differences in implementation and lack of coordination among the cooperatives, resulting from the existence of many institutions responsible for cooperatives attract notice.

²² Turkish Cooperative Association, Karınca Magazine, Invariable Topic of the Agenda: Relations between the State and the Cooperatives, Year: 64, No: 739, Publications of the Turkish Cooperative Association, July 1998



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Another public-related problem is that organizations at the ministerial level do not have the flexibility to take the necessary steps, because of the bureaucracy, operation and understanding. In that, ***ministries related with cooperatives focus more on routine works like completing the formalities of establishment, and concluding the complaints, rather than carrying out works related with the general policy and covering the whole problem.*** This leads to the fact that institutions drawn in paperwork and cannot concentrate sufficiently on the general policy problems. This fact was stated in the “Study on Problems related with Cooperatives” prepared by the Specialization Commission established in 1968 by the State Planning Organization (Ministry of Development following the Decree Law No. 641 published in the Official Gazette dated 08/06/2011, No. 27958) However, there is no positive change in the service mentality of the related institutions since that time.

On the other hand, mistrust to cooperatives increases because of the inadequacies in the audit and general surveillance of the system, and initially hinders the establishment of a suitable atmosphere for cooperatives.

Another problem is that due to the lack of authority of representation and pressure, the cooperatives sector cannot sufficiently participate in the decision-making and policy-making process related with the field of cooperatives. This hampers serious steps for the solution of problems and activation of the decision makers.

This was also seen in the recent process of negative changes in the taxation policies towards the cooperatives. Based on the examples in the world, in Turkey, cooperatives were promoted for long years with the tax advantages, and in line with this, cooperatives were exempted from Corporation tax, value added tax, and benefited from some other small-scale exemptions. However, some cooperatives (consumers’, motor carriers, and housing cooperatives in certain conditions) have been included within the scope of the corporation tax in the last years. Moreover, regulations made to remove the exemption of value added tax have begun to be realized recently. However, necessity and possible contributions of these regulations have not been discussed in detail, by bearing the specific nature of the cooperatives.

On the other hand, there is a similar practice with regard to the competition law. Some mergers made in Turkey in the form of cooperatives are regarded as ‘the association of undertakings’ in some practices under the scope of the Law No. 4054 on the Protection of Competition. In accordance with the Article 4 of the mentioned law, decisions and practices whose object or effect or the possible impact is, directly or indirectly, to prevent, distort or restrict competition in a certain market for goods and services, are unlawful and prohibited.

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However, in practice it is seen that this provision has been interpreted broadly without considering the specific nature and function of the cooperatives and that punitive sanctions are applied by accepting that some mergers of enterprises in the form of cooperatives are against the competition law.

On the other hand, despite its internal problems, cooperatives sector in Turkey is an economic initiative model participated by 8.1 million people with the motion of protecting and developing its individual economy. Within this framework, specific qualities of the cooperatives, their having a separate legislation, and the necessity to take objective decisions regarding the provision of service, entail making new policies and also making special regulations in this field. Moreover, based on this concern, autonomous organizations have been established in the economic sectors necessitating specialization and having critical importance; and the duties of audit and regulation have been assigned totally to these organizations.

In this context, as a result of the public responsibility to prevent unjust treatment and to establish an atmosphere of confidence stemming from the multi membered nature of cooperatives, it is considered beneficial to discuss the necessary public management structure within this framework. Nevertheless, bringing new proposals for the improvement of cooperatives sector, having control over the implementation, ensuring an effective and suitable position among the public institutions are only possible with sufficient research, collection of data-information, and creation of new policies, solutions and information. Therefore, keeping up with the problems related with the implementation, the economic conditions, and markets in which cooperatives operate, and the domestic and foreign economic developments; and retaining the information at the corporate level carry great importance.

Consequently, with the aim of bringing confidence and effectiveness to the cooperatives sector, enhancing the positive perception towards the cooperatives of the society and the members and ensuring an effective and sufficient cooperatives service as the state, there is a great need for a public organization whose only duty is **“to take measures to enable cooperatives sector and cooperatives system contribute at the desired level to the economic and social development of our country and to meet the requirements of the service in a determined, rapid and effective manner”**. Or stress should be lied on the method of **“policy-making, regulation, audit, and increasing the service capacity, and enhancing the resource and personnel structure”** of the ministries entrusted with cooperatives.



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2. Inadequacies in the training, awareness raising and research activities

One of the basic principles of cooperatives is the improvement of the cooperatives training, which is to teach the cooperative principles and methods to its members, managers, workers, and all the society, especially the youth and public opinion leaders. For the success of the cooperatives movement, training of members, managers, and the local people is of great importance. For example, in England, basic training of the cooperative workers and members is carried out in “The Cooperative College” in Manchester since 1919. In Germany, “Academy of German Cooperatives (ADG)” provides training for the cooperatives.

Unfortunately, in Turkey, importance is not given to the training of cooperative members, workers, managers and the society; and informing the society about the cooperatives is generally neglected. In these conditions, it is seen that members elected for the cooperative administrative bodies are not aware of their responsibilities and therefore, managers cannot conduct their duties effectively. Accordingly, results of the “Survey of the Cooperatives Sector” made in 2008 by MoCT and MoFAL point that most of the managers and members of cooperatives taking the survey did not have any cooperatives training..

In this scope, one of the most important problems before the cooperatives sector in Turkey is that the cooperatives training is not at the required level and has not been institutionalised yet. The problem of training of cooperatives in Turkey is related with other problems, primarily the organisation. With the Cooperatives Law No. 1163, training for the cooperative members, managers and auditors has been provided to the superior organizations, and the related ministries. Inadequacies regarding the organisation of the superior organizations and thus, their problem of providing resource hindered these organisations in carrying out their mentioned function. There is a similar problem also in the public-related side of the issue. Promotion and Training Fund established accordingly has not achieved the required aim.

Lack of sufficient means of the public and private institutions, which provide or expected to provide trainings results in inadequacies in cooperatives culture, membership awareness and knowledge of practice, and in weak cooperative- member relations. In fact, among the primary inadequacies regarding the issue are limited practical training for the implementation, insufficient importance attached to the cooperatives courses and research on cooperatives, and lack of emphasize in the written and visual media which is an important part of the trainings.

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Moreover, in order to develop cooperatives, researches, analyses, and publishing regarding the cooperatives, business methods and financing opportunities should be increased and supported. Because of the insufficient researches and analyses and problems in accommodating to new economic conditions limit the capacity of our cooperatives in practicing new, worldwide knowledge and technologies. This negative aspect highly limits the competition possibility of our cooperatives with other national and international organizations.

Therefore, Turkey is also in great need of organizational structure or structures based on R&D, which is widespread world-wide and which will produce and provide information regarding the cooperatives, economy, finance, legal structures and business management for the cooperatives, managers, members, workers and in general for the cooperatives sector .

3. Problem of Organization and Cooperation among the Cooperatives

In Turkey, the number of cooperatives is high but the number of members of these cooperatives is low; and this brings into mind a question concerning the organizational ability. In fact, the “membership culture” of the societies, which show their awareness and ability to overcome difficulties by collaboration, cooperation and coalition differs from country to country and is related with many cultural, economic, psychological, historical, social and cultural issues.

In the last years, many researches have been carried out internationally and in this direction, the concept of “**social capital**”, which covers the issue, has emerged. It is stated that in order to carry out a task in cooperation and in an organized manner, societies need a strong social capital. **Social capital mostly corresponds to abstract concepts like confidence, cooperation and solidarity.** Social capital has an important function of bringing physical capital and human capital together. Today, although many countries basically have the high economic performance and growth rate necessary for the economic development, they cannot achieve the required development level because of the lack of confidence, cooperation and solidarity which are the components of social capital. **The basic interpersonal confidence among the people in the society enables the development of a culture and atmosphere in which people can cooperate.** Improvement in these mentioned components, which are especially significant for the economic life, carries great importance for the increase in productivity and efficiency. **In societies whose social capital is low, i.e. whose cooperation culture is weak, production is insufficient, efficiency is low and the rate of waste and corruption is high.**



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“Interpersonal confidence” which is accepted as the basic determiner of the social capital in a society was surveyed in the “World Values Survey”. According to the results of the survey, it is seen that our country is not in a good condition in terms of social capital as the rate of people who said: “I have confidence in people” was only 6.5. It is remarking that the countries where the rate of confidence and therefore the social capital is high are developed countries, especially the Scandinavian countries. According to the results of the survey, the rate of interpersonal confidence is 65.3 in Norway, 59.7 in Sweden and 52.4 in Canada²³.

Countries with high social capital (Sweden, Norway, and Canada) are especially the countries whose cooperatives system functions well. In this respect, it is thought that solidarity organizations like cooperatives as well as other factors have an important contribution for the increase in social capital. In the consultation document titled “Cooperatives within the European Initiatives” of the European Commission dated 2001, it is stated that: “as the cooperatives are managed decoratively and enable the economic participation to the management, they ensure confidence, enable social capital and maintain them” (Commission of the European Communities, 2001: 26).

One of the most important inadequacies in Turkey is that the problems before the organisation have not been solved yet. As stated in the previous parts, the number of cooperatives in Turkey is one tenth of the number of cooperatives in the world and when the number of members is considered, these rates are far below worldwide rates. For example, in Germany, 2000 housing cooperatives have 3 million members but in Turkey, 54.000 housing cooperatives do not have so many members. Moreover, in the World, cooperatives can act in nearly all the fields which are in need socially and economically. However, cooperatives in Turkey are mostly agricultural and housing cooperatives and the years in which the number of cooperatives increased importantly correspond to times when the state provided credit at attractive and suitable conditions in various fields (agriculture, housing, etc.) In Turkey, the concept of establishing a new cooperative or increase in the number of cooperatives in one field is seen as a “formality to be realized to benefit from the opportunities and easy means provided by the state” rather than creating a synergy, solidarity or cooperation²⁴.

²³ Asuman Altay, Relation of Social Capital and Poverty, Ege Akademik Bakış / Ege Academic Review, 7(1) 2007: 337–362

²⁴ Güngör URAS, Cooperatives in Fight against Poverty, Column dated 12/03/2003, Milliyet.

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In this respect, in order to eliminate the lack of organizational ability which also covers values like solidarity and confidence; it is necessary to renew the institutional, legal and practical infrastructure of the cooperatives in line with the international principles and requirements, and to establish an atmosphere of confidence.

On the other hand, inadequacies and troubles in terms of cooperatives' multi-membered structure and their ability to act in many fields, namely their organizational ability, cause problems in making horizontal and vertical cooperation with other cooperatives. Generally, in Turkey, the rate of participation of the cooperatives to superior organizations is about 25%. When the superior organization is observed in terms of the types of cooperatives, it is seen that with the effect of actual factors and regulations rendering the organisation a must, participation to the superior organizations is high in Agricultural Credit Cooperatives, Beet Planters Cooperative Union, Agricultural Sales Cooperatives and Tradesmen and Craftsmen Credit and Guarantee Cooperatives; but for the types of cooperatives except these, the level of superior organization is very low.

Nevertheless, in Turkey, although the current superior organization model based on voluntary membership was encouraged with laws on taxes for a long time, it did not achieve success. Moreover, with the amendments of the laws on taxes in 2006, these incentives were also removed. The basic reasons of this failure are that membership to superior organizations is voluntary, and that the present superior organizations are not effective because of insufficient financial resources and cannot provide the expected benefit.

Superior organization based on voluntary principle may often disrupt the activities to be performed and services of the superior organization. When the examples of superior organizations acting in Turkey are considered, it is seen that on the condition of a tendency of the superior organizations having the audit authority and employing auditors with this aim, towards auditing their member cooperatives, unit cooperatives subject to audit prefer to disunite from the superior organization; and that unit cooperatives mostly avoid participating in the costs of training and publishing activities embarked on by the superior organizations.

Consequently, superior organization structure in the cooperatives sector in Turkey is not at the required level and this result in insufficient technical support, training and audit for the unit cooperatives, necessary to be provided and foreseen in the Law No 1163. Moreover because of this condition, benefits and functions of superior organizations, like achieving large-scale tasks, research and development, guidance and pressure group cannot be realized and their effect on cooperation turns out to be low. This is considered as an important problem hindering the development of cooperatives in Turkey.



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International best practices show that in order to enable the cooperatives system function well and to enable cooperatives act in line with the cooperatives principles and values, it is necessary to have a cooperative superior organization structure that can participate in the decisions concerning regulations, is self-administrative, provides all kinds of service to its members and audits its members. Within this framework, it is clear that there is a need for a different model with regard to the inadequate superior organization, which is one of the most important problems of cooperatives in Turkey. It is necessary to discuss new proposals including the organization model based on compulsory membership. During the determination of the strategy, these kinds of proposals were often put forward and it is thought essential to discuss the issue by bearing different aspects in mind and to propose new solutions.

4. Lack of capital and problem in access to finance

Unlike the other kinds of enterprises, cooperatives attach importance to human being than more physical assets. In other words, cooperatives exert effort to achieve the aimed targets, rather than maximizing the profit. However, as every economic undertaking, cooperatives need financial resources to achieve their targets. Because of their specific qualities, financial problems of a cooperative are more serious and diversified than a normal enterprise. Particularly these qualities include not attaching importance to the retention of profits due to the non-profit nature of the cooperatives, the limited capital contribution of the members and not being able to provide resource though the financial assets like equities and securities. The most important result of this is the lack of capital. Equity capitals of the cooperatives established by members, who have a limited financial power, are not at a level to meet the present needs.

In other words, capital of the cooperatives is composed of membership shares guaranteed by the members. According to the provisions of Article 19 of the Cooperatives Law No. 1163, it is required to collect at least one membership share from every member entering into a cooperative, those entering into a cooperative can guarantee a maximum of 5000 shares, and the value of a single membership share can be increased with the decision of the Council of Ministers. Recently, with the Decision of the Council of Ministers, dated 14.07.2009, No. 2009/15233, the value of a single membership share was increased to 100 TL. Although it is foreseen that this increase will cause a partial improvement in the equity capital structure of the cooperatives, it is thought to be insufficient with regard to the changing economic conditions and therefore, it should be revised periodically and a further increase should be ensured. Moreover, annulment of the restrictive provision in the Article 19 of the Law No. 1163, which states that the members can guarantee a maximum of 5000 shares, will also serve this aim.

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On the other hand, although the cooperatives have a long experience in terms of implementation, they have not yet achieved an institutional structure that will support the solution of financial problems. Temporary financial aids were provided in the past, but these have not attained a systematic and constant institutional structure. As a result of this, with the present conditions, cooperatives face with great financial problems. It is not considered possible to solve these financial problems with the current market conditions. Moreover, as the cooperatives cannot provide a guarantee due to their weak structures, it becomes impossible for them to take credits.

The first institutions coming to mind, when the financing of World cooperatives is considered are the cooperative banks established by the cooperatives. Cooperative banks were established with the aim of solving the financial problems of the cooperatives, through cooperating and collaborating among themselves. Besides providing operational capital and credit with low interest rates to its members, informing them about the economic developments, and providing consultancy on financial matters, cooperative banks also carry out usual banking transactions like collecting deposits, and issuing bonds. During the drafting process of the determination of the Strategy, establishment of a cooperative bank was also proposed by the sector representatives and by some institutions (Capital Markets Board, State Planning Organization, and the Banks Association). However, establishing a cooperative bank in Turkey is considered to be difficult. On the other hand, in the preparation process of the “Cooperatives Strategy”, it has been found possible to establish a common fund by the cooperatives and their superior organizations to eliminate the difficulty of finding guarantee and it has also been found beneficial to have structures like credit guarantee funds. It is stated as useful to carry out researches and analyses in order to discuss these issues from various aspects and assess the feasibility of them.

Moreover, it is envisaged that the cooperatives may take loans by other means besides the banking credits and that the possibility of providing credits may be improved in suitable conditions. Within this framework, it is found beneficial to carry out works to operationalize the instruments like “investment membership” and “bond issue”, which have recently, began to be implemented in the cooperatives worldwide, operational.

Essentially, it is known that national and international organizations and regional integration organizations (UN, the World Bank, EU, etc.) provide credits in suitable conditions, on the basis of projects. Organizations which devise and present good projects serving their objectives, have the opportunity to access these resources. In this regard it is possible that not all the cooperatives but the ones operating or will operate especially in the fields like social housing, industry, agriculture, education, and health may solve their problem of financing by these means. However, due to the low institutional capacity of the cooperatives in Turkey and their inadequacies in terms of qualified personnel and



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communication, cooperatives cannot devise good projects and keep information on the grants and suitable credit opportunities provided for the projects. Within this context, it is necessary to carry out works in order to develop the Project-making capacities of the cooperatives and to inform the cooperatives and their superior organizations about the international funds and the EU funds, about the call for projects in this regard, and the process of participation to these projects.

5. Problem of Audit and Image

Another issue which is closely related with the development of the cooperatives in Turkey is the audit. In respect of their structures, cooperatives are organizations based on confidence, in which a large number of people come together for a certain economic purpose. Therefore, the activities under the framework of cooperatives serve public welfare. However, unfortunately, there is not an effective audit in the cooperatives sector in Turkey.

Most of the cooperatives in Turkey are housing cooperatives. Because of the failures and misconducts seen especially in some housing cooperatives, the issue of audit is brought to the agenda often and the public has the impression that these organizations are uncontrolled. This negatively affects the attitude towards the cooperatives and leads to a problem of image.

The practice of internal audit carried out in Turkey generally by the members of the cooperative audit board, is limited with the reading of the reports of the audit board prepared mostly by the executive board in the general meetings. Members of the audit board are generally composed of non-experts and therefore these people are not informed about their duties and responsibilities stemming from the law and the master contracts and practice them. In line with this, audit of the members is limited with the voting in the acquitting of the managers in the annual general assembly, and usual membership rights such as asking information to the auditors and obtaining information from the managers regarding the Works and activities of the cooperative within the year are not practiced. On the other hand, as the superior organization structure is not at the required level and the current superior organizations do not have enough power, there are no cadres of audit in these organizations. In this regard, audit of superior organizations in a manner of providing guidance, and training and minimizing the faults cannot be realized. However, lack of an independent audit system providing periodical external audit in the field of cooperatives sector, leads to troubles in some matters like the realization of accounting transactions and other transactions, and the assessment of work performance of the cooperative and its managers.

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Consequently, complaints of the members displeased because of the lack of or the low level of the above listed audits are reflected to the state, in a large scale. State audit in the cooperatives is generally realized through the analysis and approval of the master contracts, having a representative in the general assembly, and having the inspectors and cooperative controllers audit the transaction, account and assets of the cooperatives and their superior organizations. In this respect, by considering the public-related sides of the cooperatives, Law No. 1163 envisages the audit of the cooperatives by the controller and inspectors of the related ministries. However, state audit remains limited because of the great number of cooperatives, great number of complaints accompanying, and lack of personnel.

Moreover, it is observed that the complaints regarding the cooperatives, which constitute an important problem due to the lack of an effective audit mechanism, are mostly brought to judgement. Matters like the disputes between the member and the cooperative, problems regarding the land and construction, problems related with the effectiveness of the general meetings and authority of the executive board can only be solved through long cases. This occupies jurisdiction for a long time, and hinders the activities of the cooperatives.

On the other hand, when the auditing practices in the European Union countries are examined, it is seen that independent audit mechanisms are generally utilised to render the audit more effective. For example, it is known that in Germany, the audit units established by the cooperatives audit the cooperatives periodically. It is considered beneficial to implement different practices for an effective audit of the cooperatives in Turkey. However, it is necessary that the audit mechanism to be developed be suitable to the legal structure and general practices in turkey.

Shortly, it is inferred that all the current audit systems in Turkey cannot ensure the sufficient and effective audit of cooperatives, and thus the audit system should be re-evaluated as a whole. In this context, it is also concluded that there is great need for an external audit system, which will provide sound information to the members and periodical suggestions to the managers of the cooperatives regarding the matters like accounting, legal and administrative operations, business plans and operational performance, when the internal audit system is rendered more effective.



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6. Lack of institutional and professional management

In Turkey, scientific side of management is usually, underestimated and cooperatives are managed by people acting amateurish and sparing little time for managerial issues. In accordance with the legal regulations, cooperative managers are nominated after being elected in the general meeting. There is no other condition (certificate, experience, training, expertise, etc.) necessitating any management skills, for the person to be elected as the member of the executive board. It is known that the people elected to the executive board have had no training regarding the cooperatives and management.

Success of the cooperatives is negatively affected by the factors such as the cooperatives' small scale structure and accordingly their inability to employ professional managers and expert personnel, their inability to benefit from the knowledge and experience of the superior organizations, managers and members' lack of cooperative and management culture in the minimum basis, dependence of the success of the cooperative to the knowledge and skills of the amateur managers elected from the members.

On the other hand, in the modern management mentality, specialization and division of labour are emphasized and all the functions of business management are applied. Also in cooperatives, basic business management functions such as financing, accounting, marketing, manufacturing, research & development and personnel management should be applied effectively. As the owners of a Corporation cannot have expertise in all the fields of business management, or even if they have, as it is not feasible for a person to apply all these, corporations prefer specialization to a great extent and working with professional personnel. Therefore, an institutional and Professional management style has been adopted to increase the success. In line with these, according to the *OECD Principles of Corporate Governance* prepared firstly in 1999 and readopted in 2004 after some amendments and additions, for the institutionalization of an organization, initiatives such as transparency, accountability, enhanced communication, determination of long-term objective targets and professional management.

Therefore, cooperatives and their superior organizations should adopt an implement the modern management mentality, which is applied internationally, in order to survive successfully in the sector they are operating. The executive board of the cooperatives should especially focus on determining the short, medium and long term objectives and targets of the cooperative, on relations with the members, operations of the general assembly, audit of the nominated managers; and they should leave the work to professionals in the issues which necessitate technical expertise and skills and which are related with the business management side of the cooperatives.

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In this respect, it is necessary to make regulations and activate the other supplementary mechanisms with the aim of rendering the corporate governance mentality dominant.

7. Problems stemming from the legislation and the implementation

The Cooperatives Law No. 1163 serves as the basis of the legislation on cooperatives in Turkey. Moreover Law No. 4572 on Agricultural Sales Cooperatives and Unions and the Law No. 1581 on Agricultural Credit Cooperatives and Unions include special provisions regarding the agricultural credit and sales cooperatives and their superior organizations. For the matters not stated in these laws, the Cooperatives Law No. 1163 is taken as reference. On the other hand, in accordance with the Article 98 of the Cooperatives Law, when the Law includes no provision regarding the matter, provisions regarding the joint-stock companies of Turkish Commercial Code will be implemented.

In many of the researches and analyses made in Turkey regarding the cooperatives, it has been stated that the main problems of the cooperatives include scattered legal regulations on the issue, insufficient and complex structure of the legislation regulating the field, and the legislation's not covering the cooperatives principles and basic values. . However, it is considered necessary to handle the issue in terms of the implementation of the legislation. In Turkey, cooperatives operate under three different ministries and this leads to differences in the master contracts prepared by these ministries, in the implementation, and in the audit. Accordingly an approach in line with the cooperative types is adopted mostly and a field of joint implementation cannot be established.

Different circles confirm that the Cooperatives Law No 1163, which regulate the field, complies with the international principles and values regarding the cooperatives. Criticisms advocating that the legislation is not in compliance with the principles and values of cooperatives stem from the private regulations on agricultural credit and sales cooperatives.

Within this framework, working fields of the cooperatives, unions and central unions have been regulated under the Law No. 1581 on agricultural credit cooperatives which are widespread and supported by the state through subsidized credits. Moreover, there are provisions on the high authority of the central unions on unions and cooperatives regarding the personnel policies and the operations, on the quadrennial meetings of the general assembly, on the obligation to participate in the superior organizations, on abandoning the registration and announcement obligation to enable the cooperatives become a legal entity, and on having a representative of the ministry in the audit boards of the central unions.



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These regulations are out of the scope of the general approach of the Cooperatives Law No. 1163. Additionally, some of the provisions of the Law No. 4572 which regulates the matters on agricultural sales cooperatives and which has been in force since 2000 hamper the autonomy and independency of the cooperatives. Having a state representative in the audit boards of the cooperative unions and approval of the master contracts of the cooperatives and unions by the Council of Ministers may be considered under this framework. Agricultural credit and sales cooperatives address a wide section of the society, and they benefit from state resources and these mainly lead to specific legal regulations in the field.

On the other hand, provisions of the laws regulating the cooperatives in Turkey, cannot meet the practical needs. This issue of **unqualified regulations** is a serious one and must be focused on mostly.

Besides, cooperatives are organizations which have specific qualifications and whose practical operations carry great importance due to their multi-membered structure. The Cooperatives Law No. 1163 which the establishment and operation of cooperatives are subject to, is primarily an organization and procedure law. This law and the master contracts prepared in accordance with this law guide the practices and ensure operation. The need for a regulation which emerged within time as a result of the economic and social developments can only be met with the amendment of the law. Because the change of master contracts necessitates adjustments and this is possible only through the approval of master contracts with the decision of the general assembly, following the amendment of the law. However, multi managed structure in Turkey regarding the cooperatives hinders taking action for the amendment of the law and reaching an agreement.

In this case, practical needs are tried to be met with the judicial decisions which may be insufficient for the solution of the problems due to the inadequate regulations. Besides, these efforts to meet the need for a regulation with judicial decisions have led to the emergence of a separate legal field in Turkey regarding the cooperatives; and accordingly, the high volume of the “judicial case law” on the issue is nearly as much as the volume of the case law regarding the Turkish Commercial Code, which is among the main laws.

On the other hand, in the implementation of the legislation on cooperatives, the relevant people in the cooperatives (manager, auditor, member) under the duty and authority of the abolished Ministry of Industry and Trade until 13.12.2010 and on that date, transferred under the duty and authority of the abolished Ministry of Public Works and Settlement with the amendment of the Cooperatives Law and the Law No. 5983 have hesitations regarding the issue and apply to the Ministry for legal opinion.

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The matters on which legal opinion is asked cover mostly the operations before and after the general assembly, membership procedures, rights of the members, duties and authorities of the members of the executive and audit board, and the liquidation procedures.

Moreover, many matters regarding the cooperatives are submitted to the judicial authorities and the solution of these matters take a long time because of the lack of specialized courts and specific problems of the jurisdiction. As stated in the “Regulatory Impact Assessment” prepared by MoCT and MoFAL on the problems caused by the legislation on cooperatives practices, “Approximately 3.000 cases regarding the cooperatives are submitted to the Court of Appeals annually. 60% of these cases are about the disputes among the cooperatives and the members.

On the other hand, the cooperatives and their superior organizations, and the related institutions and organizations propose the amendment of the Cooperatives Law No. 1163 in terms of the issues of audit, training, superior organization, relations between the cooperative and its members, general assembly meetings and the authorities to be executed by the executive board

Within this framework, due to the specific unqualified nature of the legislation on cooperatives and the inflexible structure of the legislation in solving the problems, it is more difficult to solve the mentioned problems and to meet the requirements. Therefore, activities of the cooperatives usually impede, operations and works of the cooperatives slow down, and legal and operational problems like the difficulty faced in the liquidation of even the cooperatives which achieved its objectives are experienced.

Therefore, it is necessary to find solutions in a short while by assessing the proposals like abandoning the multi managed structure in the implementation of the legislation on cooperatives, rendering the law flexible so as to allow some administrative regulations, and with regard to the judicial process, establishing specialization courts or boards of dispute resolution. Moreover, harmonization with the modifications brought with the new Turkish Commercial Code published in the Official Gazette No. 27846, dated 14 February 2011, the EU regulations, decisions of the UN and ILO, and international principles and practices regarding the cooperatives are among the other important factors necessitating change.



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5. STRATEGIC APPROACH

5.1. Vision

TURKISH COOPERATIVES VISION

“Achieving a reliable, effective, efficient and sustainable cooperatives structure with sustainable economic initiatives”

5.2. General Objective

“Ensuring a more convenient atmosphere for the cooperatives, creating a more positive public image regarding the cooperatives, increasing the confidence in the sector, displaying effective and efficient practices, ensuring sustainability, competitiveness and innovation, increasing the contribution of the cooperatives to economic development and fair distribution of income.”

5.3. Strategic Targets

In this stage, based on the privileged fields of trouble, our strategic targets have been determined by considering the vision and general objective.

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Table-9 Relation of Privileged Fields of Trouble and Strategic Targets

PRIVELEGED FIELDS OF TROUBLE	STARATEGIC TARGETS	EXPLANATION
<p>Troubles faced in terms of providing service to public and establishing an atmosphere convenient for cooperatives</p>	<p>Public Organization and the Way to Provide Services to the Cooperatives will be restructured.</p>	<p>Specific nature of the cooperatives sector, cooperatives' having a separate legislation, and the necessity to take objective decisions regarding the provision of service and its development lead to the obligation to make special regulations for this field and make policies. Therefore, it is very important that in establishing a suitable atmosphere for the cooperatives, policies to be devised by the public, be assessed with an integrated approach with the participation of sector representatives. Moreover it is necessary to gather the statistical information regarding the cooperatives properly in order to be able to make sound policies about the cooperatives and the sectors in which they are operating. Within this framework, with the aim of ensuring a cooperatives sector, which gained the confidence and interest of the public, it is aimed to reorganize the public organization and the way to provide services; and to take the other necessary measures.</p>
<p>Inadequacies in the training, awareness raising and research activities</p>	<p>Activities on Training, Consultancy, Information and Research will be developed.</p>	<p>It is very important to enable our citizens to have the entrepreneurial ability and ability to collaborate, and to improve the awareness regarding the cooperatives and the perception towards the field generally. It is also necessary for the development of the sector and for the increase of competitiveness, to meet the need for a personnel trained on the cooperatives and to raise research and development activities about the cooperatives. Within this framework, it is aimed to carry out the training and R&D activities effectively and efficiently, to meet the need for trained personnel, and to revitalize the cooperatives potential of our society.</p>
<p>Problem of Organization and cooperation among the cooperatives</p>	<p>The Organization Capacity and the Cooperation among the Cooperatives will be increased.</p>	<p>It is very important to eliminate the problems about the lack of organization which includes the values like solidarity and confidence, to enable cooperatives abandon their small scale structure and have a large-scale structure, to ensure the establishment of cooperatives in the new fields having cooperatives potential, to develop the economic cooperation opportunities of the cooperatives, and most importantly to enable the cooperatives have a self-sufficient superior organization structure. Within this framework it is aimed to activate the supplementary mechanisms in cooperation with all the public institutions and non-governmental organizations with the aim of adopting a compulsory superior organization model, encouraging multi-membered cooperatives, improving the cooperation opportunities of the cooperatives, and determining the fields with high potential for cooperatives and ensuring the establishment of cooperatives in these fields.</p>



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PRIVELEDGED FIELDS OF TROUBLE	STARATEGIC TARGETS	EXPLANATION
Lack of capital and problem in access to suitable financing	The Capital Structure and Access to Loans and Financing will be strengthened.	It is very important to strengthen the equity capital structures of the cooperatives, and to eliminate the deficiencies regarding their access to suitable financing and the guarantee. Within this framework, it is aimed to develop new methods and to increase the use of national, international funds and the EU funds with the aim of strengthening the capital infrastructure of the cooperatives and eliminating their financing problems.
Problem of audit and image	The Internal and External Audit Systems will be Revised Totally	It is extremely necessary for the cooperatives to have an external audit system in the matters like accounting, legal and administrative operations, business plans and operational performance. Moreover, it is necessary to render internal audits carried out by cooperatives and its superior organizations, members and audit board more efficient and result-oriented. Based on this, it is aimed to have an internal and external audit system suitable to our country and thus, to revise the current system totally in line with this.
Lack of institutional and professional management	Institutional and Professional Management Capacity will be Increased	In accordance with the principles of corporate governance stated by OECD, for the institutionalization of an organization, initiatives such as transparency, accountability, enhanced communication, determination of long-term objective targets and professional management are necessary. For the cooperatives and their superior organizations to be more successful, it is very important that these principles are pursued and implemented. Within this framework, it is aimed to increase the institutional capacities of the cooperatives and their superior organizations, to harmonize with the contemporary business management rules and to widen the implementation of professional management.
Problems stemming from the legislation and the implementation	Legislation Infrastructure will be improved in accordance with the International Principles and Requirements	It is extremely necessary to work for a new regulation in the cooperatives field with the aim of facilitating the solution of problems faced during implementation and harmonizing with the modifications brought with the new Turkish Commercial Code, EU regulations, decisions of the UN and ILO, and international principles and practices regarding the cooperatives. Within this framework, it is aimed to re-regulate the legal infrastructure of the national cooperatives sector in line with the needs and the contemporary requirements.

5.4. Action Plan

NO	STRATEGIC TARGETS AND THE ACTIVITIES	RESPONSIBLE/ COOPERATIVE ORGANIZATIONS	DURATI ON	PERFORMANCE INDICATOR	EXPLANATION
1.	Public Organization and the Way to Provide Services to the Cooperatives will be restructured.				
1.1	The regulating and monitoring capacity of the relevant ministries (MoCT, MoFAL, MoEUP) regarding the cooperatives will be increased.	MoCT (S) ²⁵ MoFAL, MoEUP, Related public institutions and organizations, TMKB, DGRV	2012-2016	Completion of the regulations regarding the increase of the policy-making, regulation and audit capacities of the cooperatives with the aim of rendering the services of the public institutions responsible for cooperatives more effective	Cooperatives Law No. 1163 will be amended and regulations will be made to renew the organizational structures of the units responsible for cooperatives in the related ministries, to increase the regulation and audit capacities and essentially to enhance the resource and personnel structures.
1.2	Available services provided to the cooperatives by the relevant ministries will be transferred to superior organizations.	MoCT (S) MoFAL, MoEUP, OSIB, TMKB and Central Union Cooperatives	2012-2016	Transfer to the cooperative superior organizations to be restructured, as possible, of the services provided by the state to the cooperatives and to its members.	Reports will be prepared with the aim of transferring some of the services provided by the state to the cooperatives (training, consultancy, audit, etc.), to suitably structured cooperative superior organizations; and necessary arrangements will be made for the possible ones.
1.3	A data base (e- cooperative) will be formed in order to activate the monitoring, auditing and implementation services about the cooperatives and provide sound statistical data	MoCT (S) MoFAL, MoEUP, Ministry of Development, TurkStat, TMKB, Cooperative Superior Organizations	2012-2014	- Establishment of the system to provide statistics regarding the cooperatives - Annual preparation of the statistical data regarding the economic and social contributions of the cooperatives in Turkey	E-cooperative data base will be established in order to properly collect the statistical data regarding the cooperatives, to provide public services more rapidly and effectively, and to increase transparency. A common software will be used by the related ministries to enable the integration of systems in this data base.
2.	Activities on Training, Consultancy, Information and Research will be developed				
2.1	A new structure will be formed to conduct activities on training and research about the cooperatives.	TMKB (S), Cooperative Superior Organizations, MoCT, MoFAL, MoEUP, OSIB, Universities	2014	Completion of the regulations for the institutionalization of Training and Research Activities	Depending on the amendments to be made in the Cooperatives Law, with the aim of realizing training and research activities effectively and efficiently, a structure will be established to carry out these, with the participation of related ministries, universities and cooperative superior organizations.



²⁶ (S) Responsible Organization



2.2	"Training Project of Cooperative Entrepreneurship (KGEP) "will be prepared and put into practice.	MoCT (S), MoFAL, MoEUP, OSIB, TMKB, KOSGEB, TKK, Universities, DGRV	2012-2016	The annual number of participants provided with the "Cooperative Entrepreneurship Training"	Cooperative entrepreneurship training will be provided within the scope of the project to be made for the activation of the people having the capacity to establish cooperatives, in the field having potential for cooperatives.
2.3	Members of the Audit and Executive Board of the Cooperatives will be required to have training and certificates.	MoCT (S), MoFAL, MoEUP, TMKB, Cooperative Superior Organizations	2012-2016	Ensuring the certification of all the members of the executive and audit boards of the cooperatives, starting from 2014 to the end of 2016	Depending on the amendment of the Cooperatives Law, it will be compulsory for the members of the executive and audit boards to complete the training program and to take certificate, with the aim of rendering the audit of the cooperative audit board more effective and increasing the managerial skills of the members of the executive board.
2.4	Work will be under way in order to carry out training activities on raising awareness about entrepreneurship, membership culture and cooperatives as of the primary school education.	MoNE (S) MoCT, MoFAL, MoEUP, OSIB, The Council of Higher Education, Universities, TMKB, Cooperative Superior Organizations	2012-2016	- Carrying out an activity regarding the cooperatives, in all the primary schools in our country - Increasing the number of faculties, high schools and vocational schools covering a cooperatives programme.	With the aim of raising awareness towards the cooperatives in the primary schools and enable the students to have the entrepreneurial ability and ability to collaborate, activities like providing courses regarding the cooperatives field, enabling cooperatives practices in schools, having cooperatives branch, and celebration of cooperatives day and week will be realized. Moreover, based on the aim of meeting the need for personnel trained on cooperatives and enhancing the research and development activities, actions will be taken to open cooperatives departments in vocational schools, and to increase the number of research programmes in universities, regarding the training of the cooperatives.
2.5	Training will be provided on regular basis by the superior organizations of the cooperatives about rights and obligations of their members and in order to raise their awareness on cooperatives.	Cooperative Superior Organizations (S) TMKB, MoCT, MoFAL, MoEUP, OSIB	2012-2016	Organization of a training meeting at least once a year, by all the central union cooperatives, with the aim of providing information to the members	Periodical training seminars will be organized by the cooperative superior organizations in order to increase the awareness of the members
2.6	Information programs on cooperatives will be held.	MoCT (S) MoFAL, MoEUP, OSIB TRT, RTUK, Press and Information Organizations, TMKB, Cooperative Superior Organizations	2012-2016	- Organization of annual information meetings open to the public, regarding the cooperative types in seven provinces separately by the related ministries - Ensuring the broadcast of at least three television programmes annually regarding the cooperatives	Periodical information meetings will be held in the provinces where the number of cooperatives is high. Moreover, works will be carried out to publicize the contributions of the cooperatives to the national development and to the welfare of the individuals, and the successful examples of cooperatives both in Turkey and in the world, through all the media organs in Turkey. Moreover, informational programmes to be broadcasted especially on televisions will be prepared to inform the public about the problems experienced or to be faced with regard to the cooperatives.

2.7	Trade unions will organize training programs on cooperatives to their members.	Confederations of Public Servants and Workers Trade Unions (S) MoLSS, MoCT MoFAL, MoEUP, OSIB, TMKB	2012-2016	Organization of at least 2 training programmes annually by the confederations	Training projects regarding the cooperatives will be devised and implemented for the members of the trade unions.
2.8	Work will be under way to support the projects of the voluntary organizations carrying out activities on training, research and publications about the cooperatives.	MoCT (S) MoFAL, MoEUP, OSIB, TMKB, TKK, Turkish Cooperatives Training Foundation, Related Non-governmental Organizations	2012-2016	- Ensuring the support of at least 3 training and research projects regarding the cooperatives annually	In Turkey, there is a limited number of voluntary organizations like the Turkish Cooperatives Training Foundation and the Turkish Cooperatives Association (public interest foundation), which carry out activities of training, research and publishing regarding the cooperatives. Support will be provided by the ministries (MoCT, MoFAL, MoEUP) to increase the number of training and research projects devised by voluntary organizations desiring to carry out training and research regarding the cooperatives.
2.9	A "National Cooperatives Report" will be prepared regularly every year on the condition of the cooperatives within the country and international developments.	MoCT (S) MoFAL, MoEUP, OSIB, Ministry of Development,, TKK, TMKB, TOBB, Cooperative Superior Organizations	2012-2016	Publishing the National Cooperatives Report annually	Data collected about the cooperatives sector and the information on the development in the international practices regarding the cooperatives sector will be gathered and the National Cooperatives Report will be prepared and published at the end of each year with the aim of providing a constantly updated, basic reference guide. Until the establishment of a research centre, this will be realized jointly by the related ministries, TKK and TMKB.
3.	The Organization Capacity and the Cooperation among the Cooperatives will be increased.				
3.1	A new superior organization model suitable to the national conditions and an implementation infrastructure will be established.	MoCT (S) MoFAL, MoEUP, OSIB, TMKB, Cooperative Superior Organizations, DGRV	2013-2016	Increasing the participation rate of the cooperatives to superior organizations	The present superior organization system will be revised in a way to provide more efficient service to the cooperatives with regard to consultancy, audit, research, training and representation of the cooperatives.



3.2	New fields with high potential for cooperatives will be determined and accordingly promoting works will be carried out to establish and develop cooperatives in these fields.	MoCT (S) MoFAL, MoEUP, TMKB, Related Public Institutions and Organizations, Universities, local Administrations Trade Unions and related Non-governmental Organizations	2012-2016	Ensuring the establishment of at least five new cooperatives in the fields in which the activities of the cooperatives are at a low level	With the aim of promoting the establishment of cooperatives in the fields and sectors with a high potential, supplementary mechanisms will be activated in cooperation with all the public institutions and non-governmental organizations, in the fields like training, publicity, preparation of example master contracts, and promotion.
3.3	"Support Programme for Cooperatives" will be realized to enable public supports given to increase production, be utilised in a way to promote cooperatives	MoCT (S) MoFAL, Ministry of Development, under secretariat of Treasury, Related Public Institutions and Organizations,, Cooperative Superior Organizations	2012-2016	- Completion of the legislation infrastructure regarding the support to be made - Ensuring increase in the common employment and production amounts of the cooperatives supported within the scope of the programme	"Support Programme for Cooperatives" will be prepared and presented to the Ministry of Development, and the necessary legal regulations regarding this programme will be completed and implemented.
3.4	Promoting works will be carried out to encourage multi-purpose and large-scale cooperatives and the mergers among cooperatives	MoCT (S) MoFAL, MoEUP, Ministry of Finance, Competition Authority TMKB, Cooperative Superior Organizations	2012-2016	- Ensuring an increase of 5% annually in the average number of cooperative members - Merger of 100 cooperatives totally - Ensuring an increase of 5% annually in the market share of the cooperatives in the sectors in which they are operating	Mergers among the cooperatives will be encouraged and facilitated, accordingly the number of awareness-raising and guiding activities on the topic will be increased, and the regulations will be completed to enable the establishment of multi-targeted and multi-membered cooperatives.
3.5	Cooperation among the cooperatives of production, consumption and service will be enhanced.	TMKB (S) Cooperative Superior Organizations, MoCT, MoFAL, MoEUP, OSIB	2012-2016	Carrying out works to enable cooperation among at least ten different types of cooperatives annually	In order to enhance the cooperation among the cooperatives of production, consumption and service; training, awareness-raising and guiding activities will be organized in cooperation with the cooperative superior organizations and accordingly, works to support the projects serving this objective will be carried out.
3.6	Cooperation of Turkish cooperatives with the successful cooperatives worldwide will be ensured.	TMKB (S) Cooperative Superior Organizations, MoCT, MoFAL, MoEUP	2012-2016	Carrying out at least three separate works with the cooperatives around the world and their superior organizations	In order to enhance the cooperation of our cooperatives with the international cooperatives , enable them to benefit from the experiences of these cooperatives and lead them to take common actions; training, awareness-raising and support activities will be carried out together with the cooperative superior organizations and international actions will be taken.



3.7	Works will be made to enable the women to organize under the roof of cooperatives, with the aim of improving their entrepreneurial ability and their participation in the economy as actors.	MoCT (S) MoFAL, OSİB, Ministry of Family and Social Policies, MoNE, Ministry of Development, Ministry for EU Affairs KOSGEB, ISKUR, Related NGOs	2012-2016	Establishment of at least 20 cooperatives by the women entrepreneurs	In cooperation with the other related organizations, works will be carried out to enable the women to organize under more cooperatives and thus to increase their welfare levels.
4.	The Capital Structure and Access to Loans and Financing will be strengthened.				
4.1	With the aim of strengthening the equity capital structure of the cooperatives, value of the membership share will be increased and upper limit of the membership share will be removed.	MoCT (S) MoFAL, MoEUP, OSIB, TMKB, Cooperative Superior Organizations	2013	Increase the value of membership shares at least once	By paying attention to the value of membership share, which is currently 100.-TL meeting the requirements, it is envisaged to make an increase at least once within the planning period. Moreover, the necessary regulations will be made to remove the upper limit of the membership share, which was stated as 5.000 in laws and in the master contracts.
4.2	Feasibility studies and project works will be made to examine the establishment of a Credit Guarantee Fund with the aim of providing guarantee for the credits to be taken by cooperatives.	TMKB (S) MoCT, MoFAL, MoEUP, BRSA, Ministry of Development,, Undersecretariat of Treasury, The Banks Association of Turkey	2012	Completion of the works regarding the feasibility of the institutional structures to provide financing and guarantee	Project work to analyse the feasibility of this action will be carried out by the cooperative superior organizations, under the guidance of TMKB, and a report will be prepared.
4.3	Feasibility studies and project works will be made to examine the establishment of a financing institution to meet the financing needs of the cooperatives.	TKKMB-TESKOMB (S) MoCT, MoFAL, MoEUP, OSIB TMKB, Ministry of Development, BDDK, Undersecretariat of Treasury, The Banks Association of Turkey	2012	Completion of the works regarding the feasibility of the institutional structures to provide financing and guarantee	Project work to analyse the feasibility of this action will be carried out by TTKMB and TESKOMB, and a report will be prepared.
4.4	Legal regulations will be made to enrich the resources and methods of indebtedment of the cooperatives and their superior organizations.	MoCT (S) MoFAL, MoEUP, OSIB, SPK, Ministry of Finance, TMKB, Cooperative Superior Organizations	2013	Completion of the legal regulations regarding the new methods of indebtedment and resources	Opportunities to enable the cooperatives to become indebted with other methods other than taking loans and to have financing under suitable conditions will be increased and within this framework, regulations will be made to activate the instruments like investment membership and bond issue.



4.5	Project making capacities will be enhanced to enable cooperatives and their superior organizations to benefit from the international funds and the resources and programmes of the EU	MoCT (s) MoFAL, MoEUP, OSIB, TMKB, Ministry for EU Affairs, Ministry of Development,, Cooperative Superior Organizations, Turkish Chamber of Agriculture	2012-2016	Increasing 100% of the ratio of the cooperatives in benefiting from the international funds and the EU funds	Works will be carried out to increase the project-making capacities of the cooperatives and to inform the cooperatives and their superior organizations about the international funds and the EU funds, about the call for projects in this regard, and the process of participation to these projects.
4.6	Credit support provided for the Agricultural Sales Cooperatives and Unions will be ensured to be rational.	MoCT (S) Undersecretariat of Treasury, Ministry of Finance, MoFAL, Ministry of Development, Ministry of Economy	2012	Completion of the legal regulations	With the aim of supporting the Agricultural Sales Cooperatives and Unions through a model under the banking system based on the interest income loss rather than providing direct credit from the Support and Price Stabilization Fund, related laws and decisions will be amended as necessary.
5.	The Internal and External Audit Systems will be Revised Totally.				
5.1	External audit system for cooperatives, suitable to the national conditions will be established by taking the practices of successful countries into account.	MoCT (S) MoFAL, MoEUP, OSIB, TMKB and Cooperative Superior Organizations, DGRV, Ministry of Finance, TURMOB, KGMSDK	2013	Enabling the annual audit of all cooperatives established in Turkey, regularly	There is great need for an external audit system, which will provide sound information to the members regarding the matters like accounting, legal and administrative operations, business plans and operational performance. Based on this aim, a joint work will be carried out with the German Cooperatives Confederation (DGRV) to establish a model suitable to Turkey. As a result of these works, the necessary legal regulations will be completed.
5.2	Legal regulations will be made to enable the internal audit structure of the cooperatives to be more functional.	MoCT (S) MoFAL, MoEUP, OSIB, TMKB, Cooperative Superior Organizations	2013	Ensuring a decrease of 5% in the rate of complaints reflected to the state, following the activation of the internal audit system	Necessary legal regulations and guidance works will be carried out to render the audits in the cooperatives and their superior organizations made by the cooperative members or by the members of audit boards more effective and result-oriented.
6.	Institutional and Professional Management Capacity will be Increased.				
6.1	A number of regulations will be made to harmonize with the "Principles of Corporate Governance"	MoCT (S) MoFAL, MoEUP, OSIB, SPK, Cooperative Superior Organizations	2014	Implementing the secondary regulations concerning the harmonization with the corporate governance principles in the cooperatives and their superior organizations	Secondary regulations will began to be implemented to ensure the harmonization of the cooperatives and their superior organizations with the corporate governance principles.

6.2	Institutional strategy documents will be prepared by the cooperative superior organizations.	TMKB (S) Central Union of Cooperatives, TSKB, PANKOBIRLIK, GTB, MoFAL, MoEUP, OSIB	2013	Completion of the institutional strategy documents to be prepared by the Central Union of Cooperatives	Institutional strategy documents which include information regarding the operation field of the cooperatives, their financial and administrative conditions, visions, missions, principles, activities and projects will be prepared by the cooperative superior organizations.
6.3	Setting up a web-site will be compulsory for large-scale cooperatives and their superior organizations.	MoCT (S) MoFAL, MoEUP, Cooperative Superior Organizations	2013	Setting up of the web-sites of 50% of the cooperatives	In order to facilitate the obtaining of information by the cooperative members, it will be compulsory to set up web-sites, for the cooperatives and their superior organizations which have reached a certain level in terms of the number of members,. Members' right to obtain information and transparency will be ensured with the periodical (monthly) publishing of the activities and conditions of the cooperatives in the web-sites of the cooperatives.
6.4	Employing professional managers in the executive boards will be enabled.	MoCT (S) MoFAL, MoEUP, OSIB, TMKB, Cooperative Superior Organizations	2016	- Ensuring an increase of 10% in the number of cooperatives employing professional managers as of 2013 - Ensuring the employment of professional managers in the executive boards of 10% of the cooperatives	Following the amendment of the law, it will be possible for the cooperatives to employ external professional managers in the executive boards totally or partially through inserting provisions to their master contracts.
6.5	It will be compulsory that the cooperative members be informed periodically about the activities of the cooperative.	MoCT (S) MoFAL, MoEUP, TMKB, Cooperative Superior Organizations	2013	Date of completing the regulations regarding the provision of information to the cooperative members	Provision of information to the cooperative members periodically (3-6 months) by the audit board and executive board of the cooperatives will become a legal obligation.
7.	Infrastructure will be improved in accordance with the International Principles and Requirements.				
7.1	Cooperatives Law No 1163 will be amended in line with the international principles and the requirements of the day.	MoCT (S) MoFAL, MoEUP, TMKB, Cooperative Superior Organizations, Related Public Institutions and Organizations, Related NGOs, DGRV	2013-2016	- Date of completing the amendment works of Cooperatives Law No. 1163 - Date of completing the secondary regulatory arrangements	Works to amend the Cooperatives Law will be completed by the related ministries responsible for cooperatives, in corporation with the cooperative superior organizations, in order to solve the practical problems, and harmonize with the modifications brought with the new Turkish Commercial Code, EU regulations, decisions of the UN and ILO, and international principles and practices regarding the cooperatives.

7.2	Law No. 4572 on Agricultural Sales Cooperatives and Unions will be amended as necessary.	MoCT (S) TSKB, MoFAL, Ministry of Development, Undersecretariat of Treasury	2012	Date of completing the legal regulations	Law No 4752 will be amended in order to make a regulation enabling the Agricultural Sales Cooperatives and Unions have sustainable financial and administrative structures and establishing a rational financing model, and to remove the provisional articles in the Law No. 4752, regarding the restructuring period.
7.3	Legal regulations will be made within a short time to ensure the liquidation of inactive cooperatives.	MoCT (S) MoFAL, MoEUP, TMKB	2013-2016	Completely removing the inactive cooperatives and the superior organizations	In Turkey, there are a lot of inactive cooperatives waiting liquidation. Legal regulations will be made in a short while to liquidate the inactive cooperatives, which do not have any debt, receivable or legal disputes.
7.4	Works of revision and improvement will be carried out with regard to the accounting standards and the practices of tax and competition law concerning the cooperatives	MoCT (S) MoFAL, MoEUP, OSIB, TMKB, Ministry of Finance, Competition Authority, KGMSDK, Cooperative Superior Organizations TÜRMOB	2012-2014	Establishment of a commission consisting of the representatives of the related institutions and organizations, preparation of a report following the revision of the commission, and taking the necessary measures	Works of revision and improvement will be carried out with regard to the accounting standards and the practices of tax and competition law concerning the cooperatives, in order to pay attention to the specific nature of the cooperatives and to encourage the cooperatives.



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6. IMPLEMENTATION, MONITORING AND EVALUATION

As the “**Turkish Cooperatives Strategy and Action Plan**” prepared with the broad participation of both public sector and cooperatives sector, and the related non-governmental organizations is very important in terms of the development of cooperatives sector in Turkey, and raising awareness in the society regarding the cooperatives; the implementation, monitoring and evaluation phases of this Strategy are also very important to achieve the targets stated in this document and to establish a stable and sustainable national cooperatives sector, with the right policies. Therefore, it is a must to establish an implementation, monitoring and coordination mechanism, in order to achieve the related targets on time and to carry out the activities under the Action Plan effectively and in line with the mentioned Document.

It is envisaged to establish three units as “Working Units (**WU**), Monitoring Unit for the Strategic Targets (**MUST**) and Evaluation and Guidance Committee (**EGC**)” in the above mentioned implementation, monitoring and coordination system. The practices of these units should be transparent and a participative approach should be adopted in these practices in cooperation with the public institutions, the cooperatives sector, and the related non-governmental organizations. Details of the implementation, monitoring and coordination system will be regulated through a joint circular of the related ministries.

Secretariat of the implementation, monitoring and coordination system of the Turkish Cooperatives Strategy and Action Plan will be the Directorate General of Cooperatives of the Ministry of Customs and Trade. Moreover, with the aim of assisting the Works of the mentioned secretariat, a **Monitoring Unit for the Cooperatives Strategy** will be established under the ministries which are the parties to this Document.

6.1. Working Units

A **Working Unit** will be established under the presidency of the responsible organization, for each privileged activity under the title of related strategic target in the **Action Plan**. When deemed necessary, with the decision of **EGC**, a **WU** can be rendered responsible for more than one action.

Working principles and procedures of the WUs having representatives from the related institutions and organizations at the expert level are as follows:

- 1. WUs** will make their first meetings within a month after the enforcement of the Document, with the participation of all the institutions and organizations to be cooperated. In this respect, responsible organizations will carry out the necessary preparations.

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2. **WUs**; meet bimonthly and the meeting venue, date and hour will be notified to the institutions and organizations to be cooperated, two weeks in advance.
3. Coordination and chairmanship in the **WU** meetings are carried out by the institution/organization responsible for the related activity. On the condition of the existence of more than one institution/organization responsible for the activity, Ministries responsible for the cooperatives will take on these tasks.
4. In the **WU** meetings, works carried out under the related activity field, by the responsible organizations, and institutions/organizations to be cooperated are evaluated and troubles faced are explained and the activities of coordination and cooperation to be made in the future in order not to face with the same problems are discussed.
5. Following the each **WU** meeting, the responsible organization will submit the **Development Report** prepared by considering the developments in the related activity field, and the performance criteria, with the contribution of all the institution/organizations to be cooperated, to the Secretariat of the **EGC** within 15 days after the meeting. Moreover, the report includes the proposals to prevent the hindering of the related activities and the future problems, and to carry out these activities more rapidly and effectively.
6. The Secretariat of **EGC** evaluates the content and structure of the **WU** reports and may change them in line with the requirements.

6.2. Monitoring Unit for the Strategic Targets

Under the responsibility of the Ministries, which are the parties to this Document, a “**Monitoring Unit for the Strategic Targets**” (**MUST**) is established for each strategic target with the participation of the representatives at the general director or deputy director general level of the institutions or organizations responsible for the activities under the title of the related strategic target in the **Action Plan**. Strategic targets and objectives of the related ministries will be determined after the discussion meeting of the ministries, and this issue is covered in a circular. When deemed necessary, **MUSTs** may be incorporated with the **EGC** decision.

Working principles and procedures of **MUSTs** are as follows:

1. **MUST** meetings are held triennially following the **WU** meetings, under the presidency of the General Directors of the related General Directorates of the Ministries responsible for cooperatives.



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2. The venue, date and hour of the MUST meetings will be notified two weeks in advance to the responsible institutions and organizations by the General Directorate responsible for the coordination.
3. In the **MUST** meetings, each activity is assessed within the framework of **WU** reports and proposals for the solution of problems regarding the activities are prepared. Moreover, the “**Monitoring Report**” to be prepared by paying attention to WU reports and which includes the proposals of MUST regarding the related field is submitted to the **EGC**.
4. **EGC** carries out meetings with other institutions and organizations with the aim of ensuring the effective implementation of the Action Plan and solving the problems faced in legal, financial and technical matters.

6.3. Evaluation and Guidance Committee

With the aim of coordinating the implementation and monitoring of the strategies and actions stated in the “**Cooperatives Strategy**”, “**Evaluation and Guidance Committee**” will be established and meet under the presidency of the Undersecretary of the Ministry of Customs and Trade, with the participation of other undersecretaries of the Ministries, which are the parties to this Document, related General Director of the Ministry of Development, president of the Union of National Turkish Cooperatives, and the Chairman of the Turkish Cooperative Association. Duties and powers of the **EGC** are as follows:

1. Secretariat of **EGC** is the Directorate General of Cooperatives of the Ministry of Customs and Trade.
2. **EGC** meets biannually with the participation of the stakeholders of the Document and when deemed necessary, of the representatives of other institutions and organizations.
3. With the aim of evaluating and guiding the implementation of the Action Plan, EGC carries out works regarding the issue by also considering the proposals presented in the “**Development Reports**” prepared by WUs and the “**Monitoring Report**” of **MUST**, and takes the necessary decisions for the solution of the problems faced.
4. **EGC** may organize new activities under the related strategic target for the solution of the problems faced during the implementation of the Document, may change the present activities and guide them as necessary, may change the Performance Indicators (PI) and introduce new PIs when necessary.

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5. Decisions taken in the **EGC** meetings will be notified to all the related institutions and organizations by the **EGC** Secretariat.
6. **EGC** prepares “**Evaluation Report**” at the end of each year and this is published in the website of the General Directorate which functions as the **EGC** Secretariat. In this report, realization of the activities in the Action Plan is evaluated and the decisions taken in the **EGC** meetings are published.

Necessary regulations regarding the above-mentioned implementation, monitoring and coordination system and the other matters except this are determined with a Circular prepared jointly by the three Ministries, which are the parties to this Document, by taking the opinions of the other stakeholders. Moreover, this Circular regulates the strategic target or targets under the responsibility of the related Ministries.

“**COOPERATIVE ENTERPRISES ESTABLISH A BETTER WORLD**”





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