

# Suggestions for the Development of Cooperatives in Kazakhstan

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Kazakh-German Agricultural Policy Dialogue



On behalf of:



Bundesministerium für  
Ernährung, Landwirtschaft  
und Verbraucherschutz

# Problems of Kazakh cooperatives

- Lack of finance
- Lack of consultation
  - How to establish cooperatives?
  - How to develop a cooperative strategically?
- Lack of well-trained management
- No external control (no auditing)
- Lack of coordination and cooperation between cooperatives
- Cooperative law

- 1 Establish a supportive structure - Organize training and advice**
- 2 External control - Auditing
- 3 Improve cooperation among cooperatives
- 4 Improve access to finance
- 5 Governmental support
- 6 Possible structure of the cooperative sector
- 7 Possible contributions of the APD

# 1 Establish a supportive structure

- Establish a committee for cooperatives in the MoA
  - Create expertise for cooperatives with regard to legal questions and formulate standard bylaws
  - Develop a support program for cooperatives
  - train Akimat staff (train the trainer approach) in business planning, strategic planning, accounting of cooperatives, auditing?
  - Prepare an annual report about the situation of cooperatives to the minister
- Establish a unit for cooperatives in each Akimat
  - Providing advice and training (business planning, accounting etc.)
  - Support the establishment of new cooperatives
  - Implement a governmental support program

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## 2 External control - Auditing

- Why is auditing needed?
  - Serves the interests of the members, since they are not able to assess the financial and management situation of the cooperative
  - Increases trust of members in the cooperative
  - Encourages cooperatives to undertake accounting/bookkeeping
  - Audit report can be given to banks to prove the management and financial situation of a cooperative
- Advantages for the state:
  - Annual update of the situation of cooperatives
  - Can connect state support with the audit requirement and therefore support the existing and well-functioning cooperatives
- Organizing the audit:
  - Develop an auditing program and train auditors at regional level

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### 3 Improve coordination among cooperatives - Regional cooperatives association-

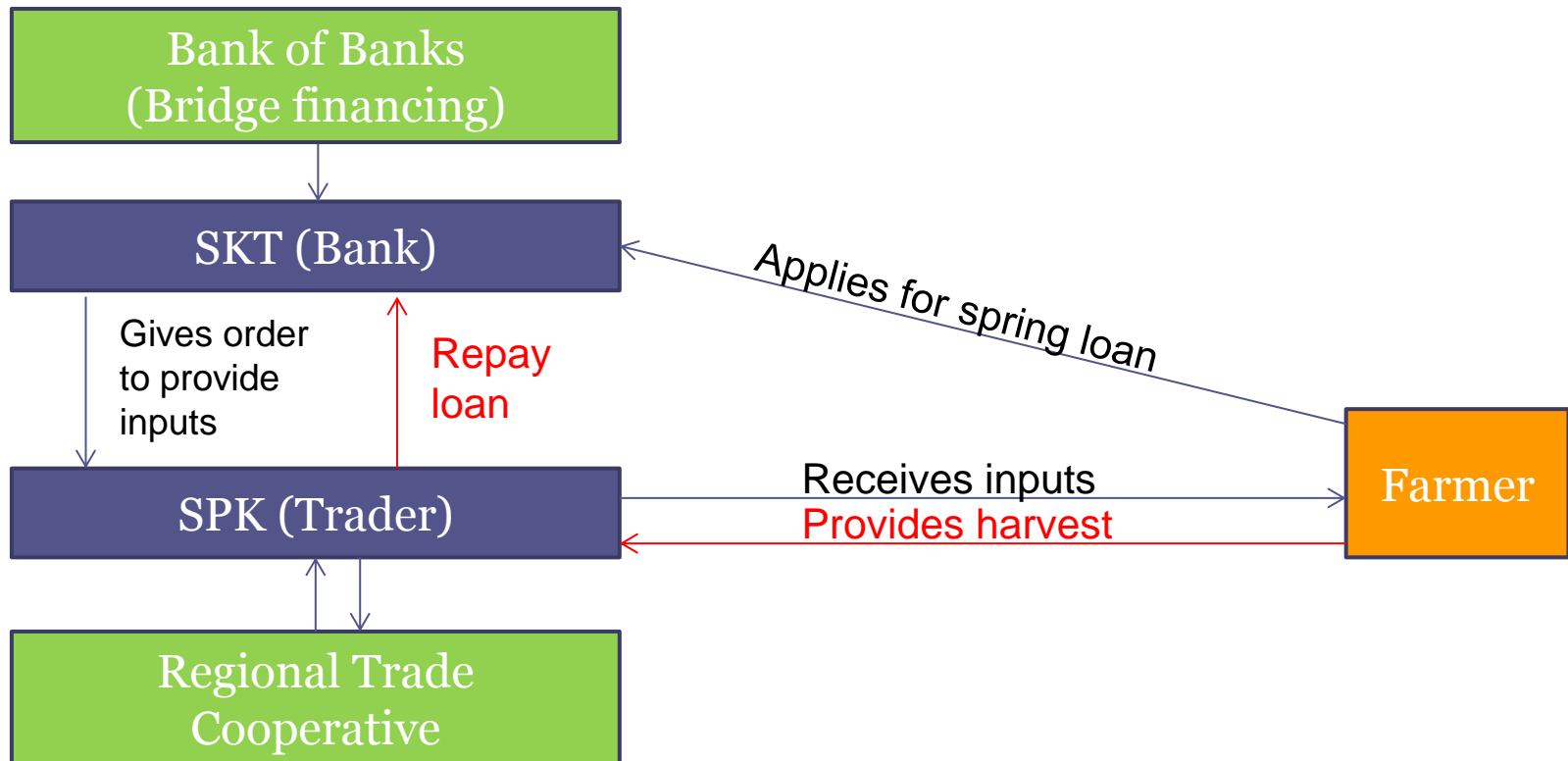
- Secondary cooperatives (main members are cooperatives)
- **They must have a certain task in order to exist!!!**
- Main tasks can be:
  - ✓ Auditing on behalf of the state (part of the law)
  - ✓ Organizing logistics for marketing of products
  - ✓ Organize purchase of means of production
  - ✓ Establish regional brands
  - ✓ Grain cleaning; quality check based on laboratories
  - ✓ Organizes trainings for its members



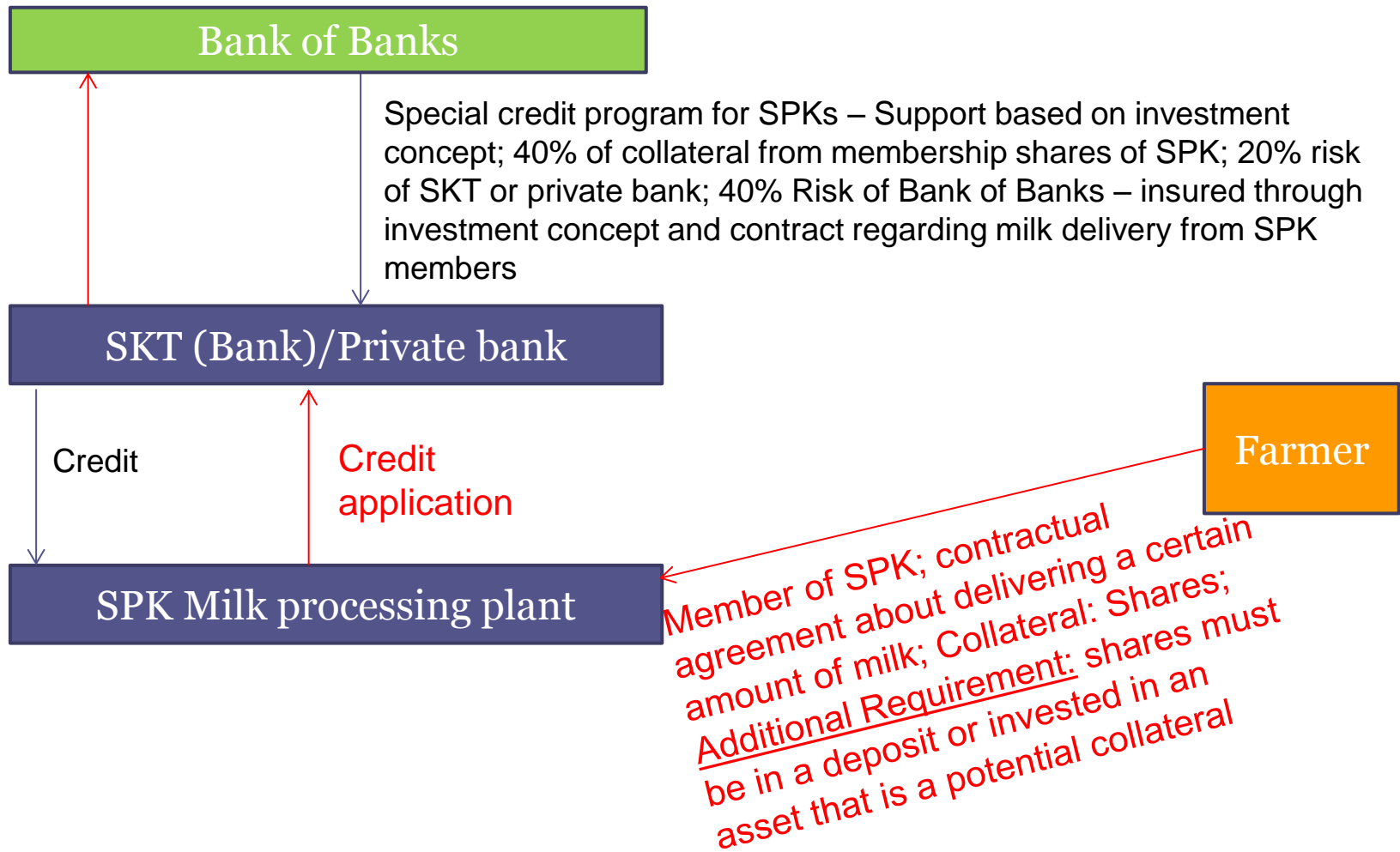
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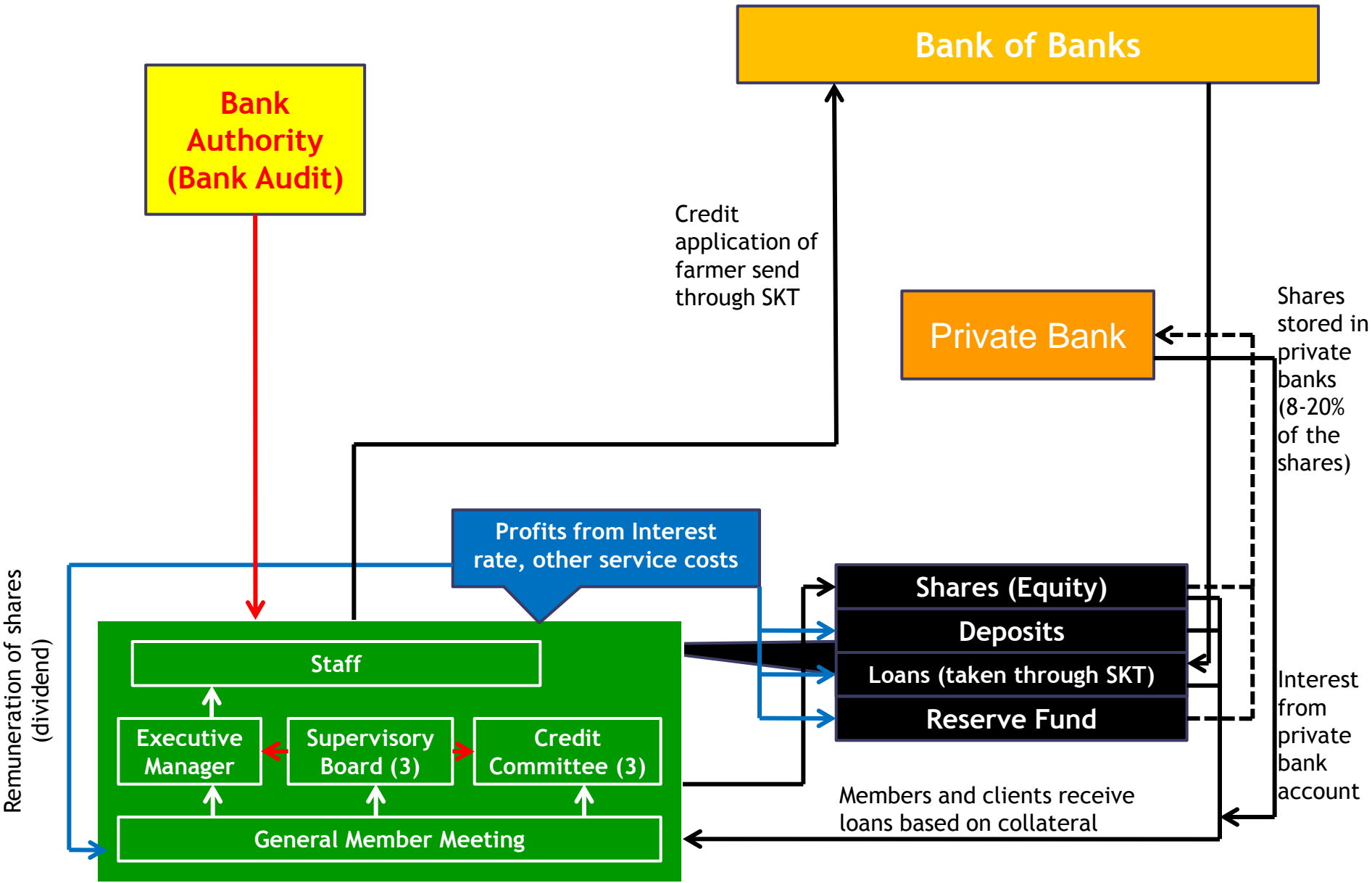
# 4 Access to finance (spring loan)

- Combined model: SKTs + Traders (Raiffeisen cooperative)



# 4 Access to finance (processing)





# 4 Access to finance - SKT

- Support current SKTs to become independent banks
  - Decisions on whom to provide with loans → internal decisions will reduce application period
- Allow all interested individual persons to become members
  - Decision on membership will be made only by the general assembly
  - Basic requirement: to hold a minimum share (e.g. 20,000 KZT?)
  - The value of the share will be fixed - it is not a shareholding company
  - Shares can only be sold to members accepted by the General Assembly
- Accept deposits
  - Deposit only for a certain period will bring interest rates (interest rate depends on the duration, e.g. 6 months – 5%; 12 months – 6%)
- Auditing
  - Internal auditing by board of directors; external by banking authority

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# 5 Governmental support

- Support establishment of regional trade cooperatives
  - For the first two years: cover 50% of the manager's salary; lump sum for office equipment
  - Payment only when trade coop. is established (bylaw; registration)
  - Investment support (laboratory, logistics)
- Establish the national cooperatives committee
- Establish regional Akimat unit for cooperatives
- Governmental support measures for cooperatives:
  - Access to credits from the Bank of Bank/AKK through private banks or SKTs

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# Ministry of Agriculture (MoA)/ Committee for cooperatives' development

**Tasks:** a) Legal issues/law - representation of the cooperatives, b) train Akimat staff (Train the trainers); c) Train auditors d) develop a national support program, e) prepare annual report about the situation of the cooperatives together with the Regional Associations

Budget for support program, training

Reporting

Attend trainings and conferences

## Akimat

### Tasks:

- a) providing advice and training;
- d) Support coop start-ups;
- c) Legal advice
- d) implement state support program

## Regional Cooperatives Associations

### Tasks:

- a) Auditing
- b) Purchase means of production and allocating it to local trading cooperatives;
- c) marketing of harvest; organize logistics;
- d) organizing regional trainings, seminars and conferences together with AKIMAT

Assist the implementation of the support program; provide advice

Submit support applications

Membership relations

## Cooperatives (SKTs + Trading Coops; SPKs)

### SKTs

providing credits based on shares and deposits; long-term loans of "Bank of Banks"; manage deposits

### Trading Cooperatives

Purchase means of production and selling it to members; purchase harvest from members

### SPKs

providing services for members (producing feed; processing milk or vegetables)

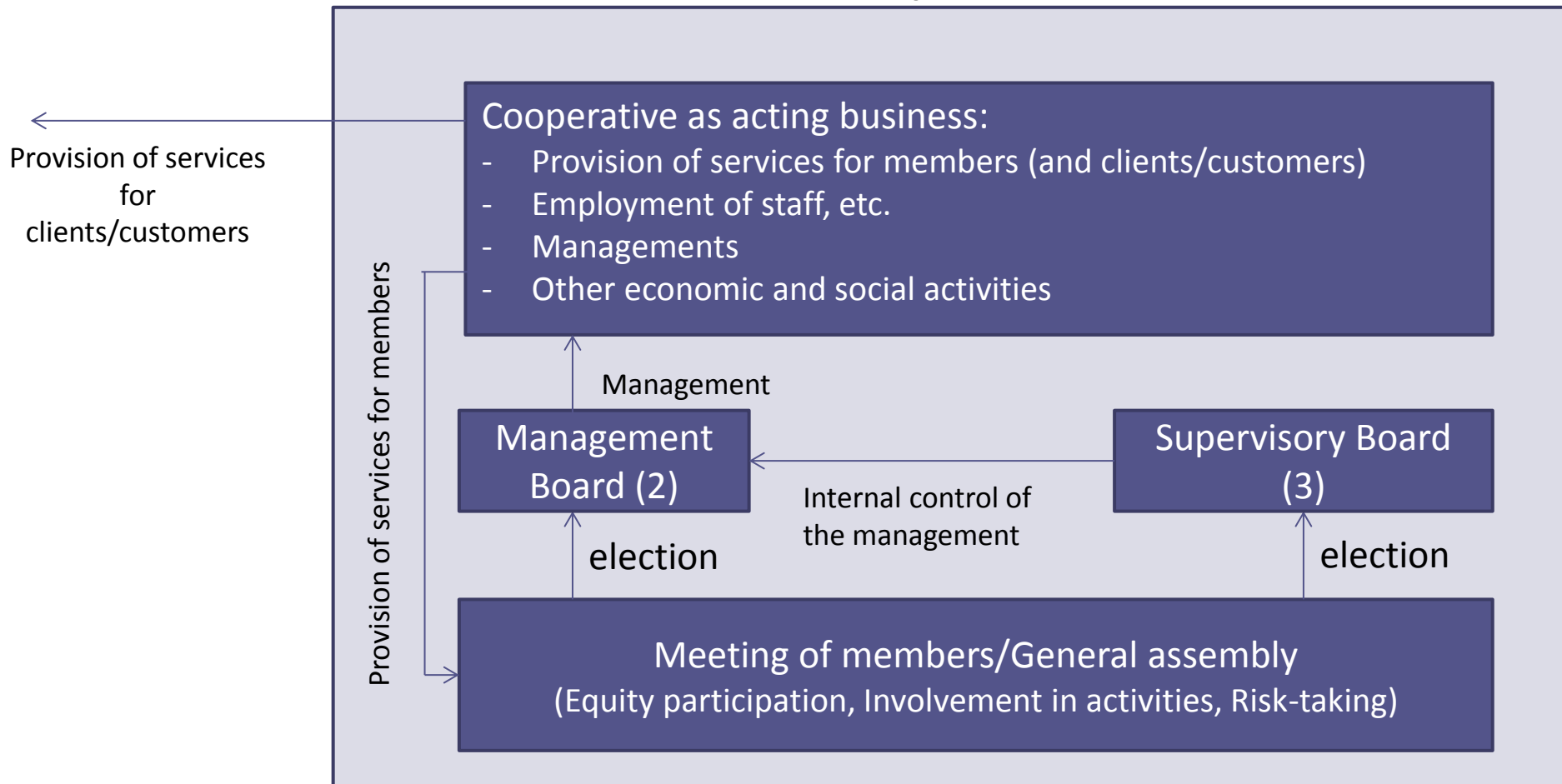
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# 7 Possible contributions of the APD

- Proposed comments to improve the Kazakh law for cooperatives
- Day-to-day support to the MoA in preparing a support program and improving the conditions for cooperatives
- Organize a 4-day seminar for Akimat-units (August 2012)
  - ✓ Structure of a cooperative sector and tasks of the different organizations
  - ✓ Procedure of establishing a cooperative (guidelines for the establishing process)
  - ✓ Strategy planning and business planning in cooperatives
  - ✓ Idea of Raiffeisen cooperatives (bank + trade organization)
  - ✓ Establishment of cooperatives association (financing, tasks, how to produce benefits for members)
  - ✓ Auditing
  - ✓ How can the state further support the development of cooperatives?
- Further support to improve the law by a German lawyer if needed

# Basic structure of a cooperative

## Cooperative



# 7 Changes in the cooperative law

- Commercial organization (Art. 4, 2) → Serve only the interest of the members not of the whole society
- Allow for regional, secondary cooperatives (members are coops)
- If a member leaves the cooperative, he only receives his share back but has no right on the cooperatives assets (Art. 22)
- Only one authorized representative (Art. 30, 7) → but a cooperative needs a board of managers to represent the interest of members
- Not give the share to non-members as long as he is not accepted by the general assembly (Art. 48,6)