

**SPEECH BY DR VIVIAN BALAKRISHNAN, MINISTER FOR COMMUNITY DEVELOPMENT, YOUTH AND SPORTS, AT SNCF ANNUAL CO-OPERATIVE LEADERS' CONFERENCE, 04 OCTOBER 2009, 9:15 AM AT JOHN JACOB BALLROOM, THE ST REGIS SINGAPORE**

Mr S Chandra Das

Chairman, Central Co-operative Fund Committee

Mr Chan Tee Seng

Chairman, SNCF Executive Council

Distinguished Guests,

Ladies and Gentlemen,

The last time I spoke at a major co-op event was at the SNCF anniversary dinner in July 2008. At that time, the major concern was the high prices of food. Few foresaw the economic tremors that were to come. In the intervening period from late 2008 onwards, the world was buffeted by wave after wave of financial and economic shocks. One of the giants of Wall Street, Lehman Brothers collapsed. Stock markets worldwide crashed and entered a period of high volatility, with a significant number of banks, mortgage lenders and insurance companies failing in the following weeks. Governments around the world stepped in to provide economic and financial assistance to businesses and individuals.

2 We are now seeing signs of global recovery. The Asian Development Bank has recently reported that Asia's developing economies are broadly growing faster

than expected this year. The Asian region is poised to lead the recovery from the global recession. Nevertheless, there is still a need to be cautious, even as we look for opportunities during the upturn.

### **Co-op's role in the recovery**

3 Co-operatives can play a significant role in promoting economic growth and contributing to recovery. The co-op model of self-help and serving members has stood the test of time and is still valid today. The success of a co-op is measured not just by its profit margins but by how well it meets the needs of its members and the larger community.

4 Co-ops create value in many ways. For example, even when others were downsizing, the co-op movement retained its workforce and some co-ops have even increased their staff strength.

5 In particular, I would like to commend the NTUC group of co-ops for continuing to play a crucial social role of moderating the prices of products & services such as food, insurance, health care, childcare and eldercare to name a few. For instance, as a leading supermarket retailer, NTUC FairPrice provides essential consumer goods at reasonable prices. FairPrice also provides employment for more than 7,000 people in Singapore. NTUC First Campus is the largest childcare operator and has recently announced its expansion and rebranding exercise to meet our society's need for more accessible and affordable childcare services.

6 Besides the NTUC co-ops, other co-ops have, in their own way, played an important role in meeting the needs of their members and society at large.

7 Co-ops also need to maintain the trust of members and the general public. This would include not only trust in the co-op's stewardship of money and resources but also, the assurance that they will serve and protect members' interests for the long term.

8 The recent global financial crisis has been a sobering reminder of the dangers lax supervision, poor risk management and blind faith in the mechanics of the so-called free market.

9 You may recall that we spent a couple of years discussing and debating amendments to the co-op legislation before we finally did so last year. Not everyone agreed with us, but in retrospect, I think almost everyone is glad that we now have a risk-based regulatory framework in place. While various outdated regulatory requirements were removed to give co-ops more operating flexibility, co-ops of higher risk are now subject to higher level of regulatory supervision. Specifically, credit co-ops are now required to meet a higher level of prudence. Credit co-ops will also need to focus on their core loan and thrift business and take a more conservative approach in the investment of funds. This way, credit co-ops will be able to generate sustainable returns for their members without exposing depositors' funds to excessive risk. We must get the risk-reward ratio right, especially considering the profile of our members.

## **Encouraging the growth of the co-op movement**

10 Co-ops have a special relevance to how the society and businesses are being organised in Singapore. They are here to stay as permanent features in the Singapore society. In order to increase the impact of co-ops and their contribution to economic recovery, we should continue to promote the co-op model. We should encourage the formation of new co-ops and further develop them.

11 The SNCF, as the Secretariat to the Central Co-operative Fund (or the CCF) helps seed such new initiatives. To date, an encouraging number of organisations and groups of individuals have responded to the call for new co-ops with strong social missions. Through the available CCF funding schemes, two co-ops with admirable social causes were formed in 2008 by two Community Development Councils ('CDCs'), namely the South West and North West. WEworkz (Women Enterprise workz) Multi-Purpose Co-operative helps disadvantaged women gain marketable skills while the Community Kitchen Co-operative provides employment to the long term unemployed.

12 Another potential area of growth for co-ops is the elderly in our community. As one of the fastest aging populations in Asia, Singapore faces the challenge of developing appropriate policies to accommodate this demographic group and harness its potential. Specific issues of concern for the elderly include financial security, employment, living arrangements and health care. These also represent challenges for the nation as a whole. Co-ops could provide tremendous value-add by providing services that meet the needs of this sector of the community.

13 I am happy to note that besides NTUC Eldercare and the Singapore Amalgamated Services Co-operative Organisation ('SASCO') senior citizens home, there is potentially another co-op being formed to serve the needs of this sector. Three CDCs – the Central Singapore, North East and South East are collaborating to launch the Silver Co-op. This co-op will aim to actively serve elderly Singaporeans by engaging them in ad-hoc jobs in light manufacturing or assembly of products outsourced by commercial companies. I hope to see more of such co-ops that engage the elderly while addressing current social concerns.

### **Conclusion**

14 The co-op movement has a long and successful history in Singapore. From as early as the 1920s, co-ops have served the wide ranging needs of their members. The movement has survived and progressed over the last 80 years and have thrived despite the numerous ups and downs of the business cycles. We need to remind ourselves that our key role is not to generate high returns, but sustainable returns and to provide high risk-reward ratio for our members.

15 I hope that this co-op leaders' conference will be an effective forum for the generation of ideas to further the vibrancy of the co-op sector as well as to ensure the long term viability of co-operative movement in our society.

Thank you.