

COMPARATIVE ANALYSIS OF THE COOPERATIVE SYSTEM OF THE REPUBLIC OF MOLDOVA WITH EU COUNTRIES

Simion MORARU, Assoc. Prof., PhD

Trade Co-operative University of Moldova

E-mail: moraru42@mail.ru

Irina RAEVSKAIA, PhD student

Trade Co-operative University of Moldova

E-mail: irinaraevskaia@gmail.com

Victoria MORARU, Master of Business Administration, Sr. Buyer/Planner

San Diego, California, United States of America

E-mail: vsmoraru@yahoo.com

JEL classification: Q13, J54, O12, P21, P29

Abstract

The cooperative system in the context of sustainable development and the evolution of international economic processes caused by globalization has become a significant component of the global economy, a distinct element of contemporary society. The natural goal of cooperatives to play an important role is confirmed by the versatile functionality and ability to respond effectively to the dynamics and diversity of markets proven throughout their long-term business. The signing of the Moldova-EU Association Agreement objective requires the development of the legislation and the modernization of cooperative structures, the extension of the fields of activity to the new sectors of modern economy, the efficient managerial decisions for the development of the cooperative sector according to the European requirements. The starting point of this study is the comparative analysis of legislation on cooperatives in the Republic of Moldova and the EU, which defines the organizational and functional structure of cooperatives with the scope of highlighting some necessary adjustments in the Moldovan legislation in line with the EU.

Keywords: *consumption and production cooperatives, transnational cooperatives, cooperative values and principles, cooperatives and competition, economic and social dimensions of cooperation, Purchasing Power Parity (PPP), Gross Domestic Product (GDP), Millennium Development Goals (MDGs)*

1. Introduction

In the context of globalization and sustainable development we need, the cooperation is not only a significant component of the economy, but also one of the main subjects of the social economy in Europe and worldwide. Being recognized as a legal entity and having equal treatment with the other types of associations and foundations, having an autonomous character and being based on democratic values, true cooperative principles of aid, personal responsibility, human solidarity, the cooperative system mobilizes human, material and financial resources, organizes economic activity, opens jobs and trains the local or neighboring population professionally and then involves them in collective work multiplying the property they hold together to solve the material needs of the participants. Cooperative enterprises contribute to the vocational training of the unemployed, including among the socially disadvantaged and disabled people, aging population, the

unemployed, immigrants of both sexes, and then integrating them into social life contribute to the eradication of poverty and hunger.

Cooperative enterprises play an important role in social and economic life since they operate on the basis fundamental needs of people, such as creating jobs, organizing economic and marketing processes in the industry, construction, transportation, adapting the banking system to the needs of people, performing services in the field of insurance, health and education, culture, etc. In practice, this means that the core of a cooperative activity is a person with his needs, his socialization, and not the profit. And this is due to the values and principles that distinguish cooperative enterprises from enterprises based on market economic relations. The economic development of cooperative enterprises is carried out by the employees to meet their basic needs and aspirations.

A key cooperative principle for its members is the school of life. The cooperative as an economic structure founded by its members, on the grounds of their needs and aspirations is not targeting profit as a main goal. The prominence of the true economy is social wealth, social aid and joint resolution of local issues, and the financial benefits and material income become tools to achieve people's socialization, local infrastructure development, schooling of the people in need, maintenance and conservation of the environment, eradication of poverty and hunger of indigenous people and migrants.

The viability of the millions of cooperative enterprises in the world is confirmed on a daily basis by the successful combination of cooperatives with competition due to its valuable human potential, its doctrine that stimulates employees participation in economic and social life. Implementation of legal responsibility at every stage of production, distribution, exchange and consumption of economic results in which all participants are interested, by being involved in the training of new skills and values to solve problems that meet the needs.

Cooperatives have a significant market share in the core economic sectors, particularly in the sectors of agriculture, trade, transport, construction, health care, education and insurance, credit and banking systems, pharmaceuticals and social services. A wide range of types of cooperatives, the European cooperative societies with transnational activities are grouped according to various jobs in construction, handicraft, design, trade, production and sale of bread and bakery products, confectionery, meat and meat products, milk and dairy products, footwear, clothing, utilities, etc. This cooperative system as a whole has created tens of millions of jobs, providing wages and services to a significant segment of the population on the European continent.

Since 1991 the cooperative system of the Republic of Moldova, drawn to the privatization of state property, agricultural collectives, price liberalization, began to lose its values, principles and functions and disproportions arose between the social and economic components that once set this system as one of the most humane and attractive in the country.

Currently the emerging market economy gives rise to new processes and forms in the development of the cooperative system that justifies the interest in the experience of the activities of cooperative enterprises in the EU countries in solving the complex socio-economic problems in the country.

The association of the Republic of Moldova with the European Union implies the need for some comparative analysis of the co-operative systems in the country with the ones in the European countries and the cooperative legislation of the Republic of Moldova and the EU which governs

these systems, forms the organizational structure, determines the functionality of the areas of activity, the quality management of these systems in order to permanently modernize the cooperative structures in the country, to attract investments, to broaden the sectors of activity, to adapt to the diversified and dynamic requirements of the market.

This article is one of these kind of attempts. The topic covers the wide European experience regarding the evolution of the cooperative legislation development, given that EU has integrated countries with different cooperative traditions, which determined various regulations in the given field. Being a complex multidisciplinary and multidimensional theme, the authors have proposed to draw only a few key coordinates that characterize this subject.

2. Degree of investigation of problems at the current stage

Cooperatives present an authentic vitality on the way to the 21st century economy, as the world economy is marked by uncertainty and rapid transformation, the cooperative system offers a fairer way to do business, demonstrates the ability to manage economic development, economic democracy and politics, manifest social responsibility, contribute to maintaining and preserving the environment.

In industrialized countries, the cooperative system marks an increase in the membership, capital investment and business volumes. Cooperatives are highlighted by creating new jobs, especially in disadvantaged regions, keeping prices within reasonable limits of material goods and services. Cooperatives create stability and confidence especially among the vulnerable population. The experience gained by the cooperatives of the industrialized countries can be generalized and used in the cooperative system of the Republic of Moldova.

Taking into consideration the special significance of the cooperative system for the national economy, in 1993 the Trade Co-operative University of Moldova was created in the country, with professors working in the field of research. Over the years, a number of articles, booklets, course materials and monographs have been published, and a number of dissertations were elaborated on cooperative activities. The University organizes international scientific conferences on priority issues of the cooperative system with the participation of scientists from different European countries.

In the recent years the Government of the Republic of Moldova has organised several competitions in the academic field for the purpose of conducting research in the field of cooperative system and internal trade.

3. Applied methods

The cooperative system is a set of economic entities, the result of which is reflected in the creation of flows of goods and services geared to the needs of cooperatives and the local population, in the contribution to GDP formation, participation in the foreign economic affairs of the country, aiming to maintain and protect the environment. All this makes the cooperative system a priority in the national economy, which denotes the importance of research in this field.

Carrying out research on the cooperative system and on other economic fields we have used the research methodology based on techniques and instruments, methods and procedures that allow the interpretation and scientific approach to the studied object. Using these tools in research is a common practice. The research method is a way or means of exposing the studied material, which is then updated in the form of categories, trends, economic laws.

The research methodology of the cooperative system comprises a set of processes, tools and methods, because businesses do not only produce and make goods and services for different consumers as a response to the dynamic requirements of the market, but also determine the interconnections between cooperative partnerships and mutual adjustment, and the relationships that contribute to joint solving of local social and environmental problems.

The methodology contributes to the determination of the object, purpose, field of research, content components.

The method is a system of knowledge and research of the practical reality. After Hegel, a method is nothing more than a structure of the whole. The method of analysis and synthesis is a universal method, scientific unitary knowledge begins with a factual analysis that manifests in daily economic relations, concrete situations of the cooperative system. Fragmenting these relationships allows them to examine each element as part of a whole from different points of view. The unification of this knowledge in parts of a whole is the synthesis that, as it is known, integrates the elements into a whole of this knowledge.

The method of induction and deduction of research is unitary. Induction is a form of reasoning that determines the way of passing from the individual to the general. The economic, financial, innovative, investment activities of cooperatives use the method of induction that allows the rationale of transition from the factual material, statistically to generalization groups, from the particular to the general and then to the theory.

Deduction is a rationalization process from general to particular. Using deduction can lead to a conclusion that necessarily results from two or more premises.

The object of the study and the formulated tasks determined the use of traditional methods of research, such as economic analysis and synthesis, method of induction and deduction, logical and comparative analysis, normative and methodological methods, as well as other processes and instruments of scientific knowledge of economic processes.

In conclusion, the cooperative economic science can be determined as a systematized system of knowledge based on principles, methods, processes, tools, laws governing the facts.

4. Results obtained and discussions

4.1. Systemic Transformations of the National Economy in the Transition Period and Their Impact on Cooperatives

The end of the 80's and the beginning of the 90's marked not only the last years of the XX century, **but also a historic but natural return to the market economy, first**, of the Central and Eastern European countries, and then of the Soviet republics of the USSR, including Moldova.

Without going into detail, we point out that in the socialist economy of the Republic of Moldova, as in the other countries, the monopoly of state property was dominating, but the agricultural and cooperative systems were dominated by the collective ownership. The mechanism of ownership was provided by a centrally planned development law, and not according to the market requirements. The political, administrative and organizational structures corresponded to the relations of production, but they were managed through structures that were often oversized functionally and over-politicized on a Party basis. The planned allocation of financial resources created material and human imbalances through the construction of some multidimensional enterprise due to the insufficient development of others. The command economy had a non-stimulating and egalitarian remuneration system, and non-convertible monetary system. Exports were carried out only by specialized state-owned enterprises.

Consequently, the socialism was not a natural product and the transition from the planned economy to the market one was a necessary objective. Countries going through these processes are called countries with transition economies, including the Republic of Moldova, whose basic components of the economy are in a radical systemic transformation.

The social and economic costs borne by the population, the national economy, including the cooperative system, during this period, as well as the implications of this transition on the entire activity of the country, are a special topic. It's worth mentioning that in addition to the distortions and disparities experienced by the Moldovan socialist cooperatives, in the 60's-90's there were periods when this system performed services and produced goods that exceeded domestic consumption, collected and purchased commodities for export, carried out activities totaling a few billion dollars annually.

In the late 80s the optimism, motivated by the national liberation movement, dominated the background on which the completely mistaken idea of defamation was established, arguing that everything that was created in socialism was not good. Industry has become the first victim in this regard. The plants, which until recently had been equipped with important technological equipment, with highly qualified engineers and technicians, with modern industrial infrastructure, could be restored and gradually redirected to many foreign markets. Instead of the national policy of industrial development, the Privatization Department was established, which became the largest owner of the plants in the country. As great, as the specialists of that period pointed out, so unwise because it operated with one purpose - to sell more, faster and cheaper. Many components and machines, which were sold, borrowed and leased to foreign firms, are still functioning today. Light industry enterprises leased to the European countries' entrepreneurs produce goods for the Western market without significant modernization until now. As a result of privatization, the industry remained disintegrated and dismantled, and tens of thousands of skilled workers, engineers, technicians and managers were left without jobs, and the budget without revenues.

Agriculture suffered the same fate. Collective farms and state-owned enterprises were liquidated by law. The fixed assets of these farms, valued at more than \$ 5 billion, lost their ownership overnight. Huge areas of perennial plantations, the value of which was estimated at over 6 billion US dollars, were parceled out excessively and then destroyed for the most part. The areas of irrigated arable land and zootechnical complexes were also destroyed. The allotment of peasants with land led to excessive land plots. As a result, tens of thousands of hectares of agricultural land

annually remain unprocessed which negatively affected the production volumes, agricultural yields, peasants' income, and the national and local budgets.

As a result of these „reforms”, the volume of GDP produced in 1995 was only 39% of 1990 GDP. We recall that a country's economic security threshold is at risk when GDP falls sharply between 30-40%. If this threshold is exceeded, the national economic complex enters a virtually irreversible fall. This explains the fact that currently in the domestic industry there are only a few scattered companies from the food and light industries with outdated technological equipment. Export is dominated by cheap agricultural raw material and not by agri-food products. Peasant households, and especially the households of younger generations, have remained without means of production and without agricultural land practicable for exploitation and without means of subsistence, and as a result, the emigration has increased to significant proportions, especially in the villages. At that time the World Bank in a report on the economic situation of Moldova stressed that: „...70% of the population lives in poverty, and 60% of the population lives in extreme poverty”. The Bank has concluded that if Moldova „achieves an annual GDP growth of 7% in 2007, every 4th citizen of Moldova will continue to go hungry”. The national economic complex has reached the limit of the fall until the beginning of the new millennium.

In 1998-1999, according to the data presented in the Second Millennium Development Goals Report (MDGs), „Poverty in Moldova continued to grow at a rapid pace, in 1999 reaching the highest CIS poverty rate of 73% per year”. Poverty at national level covers significant disparities between districts of the country. The southern part of Moldova has higher poverty indicators. Families with three or more children are poorer, have lower access to food, health care, education, sanitation, etc. In 2000 poverty began to diminish. In 2005 despite economic growth, poverty began to grow again, more strongly in rural areas.

In 2006 the methodology for calculating poverty was modified: instead of income below \$ 2.15 per day, the international poverty threshold was set at \$4.3 per day per person. In 2008, when the financial and then the global economic crisis began, poverty has intensified in Moldova, especially in rural areas. In 2009 these trends continued.

In the Second Report on the MDGs we are reminded that with a GDP of \$2,842 USD (calculated in terms of PPP) Moldova has the lowest income level in Europe. Albania, which had the lowest income on the continent in 2000 has achieved \$7.163 USD GDP per capita in 2009 [1, p. 9].

The goal, set for the Republic of Moldova, to reduce the number of people, whose consumption is less than \$4.3 per day (PPP terms,) from 34.5% in 2006 to 23% in 2015, most likely was hard to achieve, because the critical poverty threshold in the country has long been overcome, and the irreversible process of eradicating the population from poverty in a very short time remains only a desire, despite the Government's decision to change the criteria of measuring the welfare of the population: instead of income, use consumption volume, given that “... expenditure on consumption is a more accurate and relevant indicator for Moldova.” [1, p. 9].

In conclusion: in the difficult, unpredictable and unstable economic and political context when the industrial and agricultural complexes of the country entered into a process of decomposition, the cooperative system created on the basis of socialist principles could not remain intact. The destiny of consumer cooperatives was the same as that of the system that was subjected to degeneration.

In the report of MOLDCOOP leadership to the XI Congress of the consumer cooperatives held on February 4, 1994 it was mentioned that „... the economic crisis in the country, the sudden decrease of the production, the reduction of the national income, the unemployment and poverty of the population substantially influenced the economic activity of consumer cooperatives”. Significantly, the number of retail trade and public food units has diminished, which led to a considerable reduction in the volume of sales of goods, the acquisition and production activity stopped in the majority of cooperative organizations and commodity producers. The share of their own circulating assets in their total volume decreased from 34% in 1989 to 12% in 1993.

As mentioned in the report to the Congress, for this period it is characteristic that **„many of the leaders were plunged into the so-called market economy, to independence without psychological, social, economic and legal training, without knowing the proper measure of what that it is”**. Consumer cooperatives built on different principles was unable to cope with the first primitive accumulation of distorted competitive capital that emerged at that time in the national economy.

The second wave of economic decline of consumer cooperatives, which led to a substantial reduction in the size of the cooperative sector and macro indicators of their economic activity, ran from 1995 to 2000. During this period the wave of employees who left the workplace has reached significant proportions, the number of cooperatives members and cooperative heritage volume has decreased. The Real Estate located in advantageous places was alienated and the remaining Real Estate was used only partially. The number of cooperatives has decrease, and the economic activity has been steadily diminishing.

The beginning of the new millennium is characterized by stopping the fall of activity in consumer co-operation. In 2002, the first signs of revival in the economic activity appeared, although an overall loss was registered in this segment. Along with the stable growth, a non-uniform evolution followed, and since 2005 the consumer co-operatives have started to operate with relative efficiency and as a result the economic and financial situation of the system has entered a phase of recovery in recent years.

A slow economic growth has allowed the modernization of the system infrastructure, the expansion of cooperative infrastructure in new locations that allowed an allocation of business units in accordance with the requirements of the population, upgrading of the existing capacities in ensuring the competitiveness and quality of the services. All these factors have allowed to increase the size of cooperative system which in 2011 was as follows:

- cooperative members - around 200,000;
- economic agents - 17%, including consumer cooperative - s10%;
- number of employers - approximatively 6,000 people;
- number of locations, where cooperatives offer services– 1,107, which is 66% of the total number of locations; population served- 1.8 million people;
- infrastructure of the cooperative system – 2,111 trade units with an area of about 2,000 square meters, 23 enterprises for acquisition, 44 commercial markets with 11,000 locations, three production enterprises;
- areas of economic activity - retail and wholesale trade, purchasing of agricultural products, food manufacturing, services: market, catering, education [2, p. 5].

Extending the commercial infrastructure, public food and bread production in the localities where these services are requested, including in the localities where such services were needed and not provided before the reopening of commercial units and their re-establishment, the modernization of some of them from a technological point of view as well as in terms of image allowed in the recent years not only a rebirth of commercial activity and public catering, but a relatively constant growth of economic activities, on the whole, and production, which together allowed an improvement of the situation.

Gradually the system began to operate profitably despite the unfavorable business environment in the country that did not allow attracting foreign and domestic investments in consumer cooperation. Due to the lack of financial means, decisive actions necessary for the renovation and restoration of the entire cooperative patrimony, multiplication and diversification of production, provision of services and the creation of innovative cooperative units cannot take place until now.

Lack of modern changes, maintenance of an unattractive environment, old forms of organization and activities, management of cooperative units designed and implemented in socialism, as well as lack of stimulation of employees and cooperative members resulted in the reduction of the cooperative and decrease of cooperative retail sales in the rural trade area.

Despite these and other objective and subjective causes, which have a negative influence on the development of consumer co-operation, the positive evolution of the activity of the cooperative system in the country is undisputed.

According to the publications released by MOLDCOOP, macroeconomic indicators of 2014 characterize cooperative activities as follows:

- cooperative sales volume - 796.6 mil lei;
- wholesale volume - 104.7 mil lei;
- export volume - 17.4 mil lei;
- volume of acquisition of agricultural production, livestock and other raw materials - 80 mil lei;
- volume of industrial production - 60.8 mil lei;
- volume of services per total- 150 mil lei, of which catering services - 70 mil lei, market services - 29.6 mil lei; rent and storage - 22.4 mil lei; educational services - 16.4 mil lei;
- the amount of budgeted payments and paid taxes - 104 mil lei;
- employee salaries in the system - 150 mil lei.

In 2014-2018 the cooperative system targeted its development by achieving certain objectives harmonized with financial, technical, human resources and stipulated in the development strategies. However, the development of cooperatives was uneven, as in the previous periods. The most important segment of the cooperative system - the consumer cooperatives, continues to operate with low yields and rhythms, it is ascertained that, similar to the previous years, there is a tendency to diminish the number of cooperative units and their members. According to the State Registry on 01.09.2018, the number of cooperatives constituted 3709 compared to 3911 cooperative units on 01.01.2017. During the 8 months of this year, 202 cooperatives of various types were abolished. These causes are well known to the specialists. Due to the lack of space here, we will only draw some of them. Consumer cooperation legislation does not meet the

qualities required by the market economy. It is required that the Law on Consumer Cooperatives no. 1252-XIV of 28.09.2000, as well as the special provisions of the Civil Code of the Republic of Moldova, designed to complement the legal basis of the consumer cooperatives functionality, need to be harmonized with the European Community acquis and the requirements of the market economy. Another cause is insufficient financial resources. The cooperative system, being undermined by the current imperfect legislation, operates with modest efficiency or even inefficiently, and thus, it is not the economic force that would attract national funds and foreign investors. The third cause is the lack of adequate motivational systems. Cooperative members through more symbolic quotas, as well as the employees, are not sufficiently motivated to systematically ensure a broad and efficient reproduction of the cooperative system. The share capital of the founding members' shares has to be fixed by the law and summed up to an amount that would allow for a normal functionality and development of cooperatives.

Systemic changes in the national economy, the emergence of competitive elements in the real economy and trade sectors have prompted the diversification of cooperative systems, and in this environment the agricultural production and entrepreneur cooperatives, joint stock and limited liability companies have appeared.

According to the land cadaster, the number of agricultural cooperatives and their managed farmland area on 1 January 2009 is as follows:

- agricultural production cooperatives - 204 units with a total area of 140,300 hectares, of which 46,000 hectares are included in the statutory capital;
- agricultural cooperative entrepreneurship - 79 units with an area of 6,300 hectares in management;
- joint stock companies manage an area of 55,100 hectares, 88.9% of which is the leased land;
- 1,513 limited liability companies– manage an area of 648,700 hectares [3, p. 12-13].

The dimension of Moldovan consumer cooperatives is the most significant in the country. The agricultural corporate organizations created over the last few years have experienced a slightly ascending trend in terms of the number of agricultural active entities and the size of the agricultural land under management, but they are just at the beginning of way. That is why the focus in the further reports is on consumer co-operation.

4.2. Legal Basis for the Development of Cooperative System During the Transition Period in the Republic of Moldova

During the 90's, in the period of transition of the national economy to market relations, the Parliament adopted the Law on Cooperatives [4], which proved to be the legal base necessary for the development of the cooperative system under competitive conditions. The new economic relations based on private property and oriented towards dynamic changes imposed by the market, have given a rise to the economic diversification of this segment, as cooperation. As it was mentioned above, other organizational agricultural cooperative forms were born in the economy and the respective laws were developed. This is how the Law on production cooperatives [5], the Law on entrepreneurship cooperatives [6] and, of course, the Law on consumer cooperatives [7]

appeared, which provide the legal basis for the most significant cooperative system in the country. In addition to these laws, special stipulations are drawn up in the Civil Code (Articles 171-178) [8] supplementing and providing more legal basis for the organisation and operation of the cooperative system under market conditions.

If the first steps in the development of the legislation acts have led to the legal, administrative and social basis of cooperatives, and marked the legal boundaries, appropriate for the political and economic conditions of cooperative relations during the period of transition in the country, then the laws, special stipulations in the Civil Code, as well as other rules and regulations, regarding the establishment, organization and operation of various forms of cooperatives have been part of the structure and essence of economic relations, which along the way have become more captivating and all-encompassing.

Development and adoption of a package of laws and stipulations in the Civil Code regarding the establishment, legal, economic and social organization, defining specific property type of a cooperative, its structure, establishing the principles of governing bodies and association of the cooperatives, as well as the integration of this economic and social segment in the market economy, on the one hand, must match the values, the principles, as well as the national and international cooperatives' traditions, and, on the other hand, the specific needs of the changing economy.

The principles and the values underlying the establishment of a cooperative correspond to a non-commercial organization, which does not aim at the benefit, but satisfies the needs of those who own this cooperative in common, whereas the requirements of the market economy require cooperatives to operate under competitive conditions complying with the laws of demand and supply, which means obtaining the benefit that ensures its vitality. The resulting situations impose flexibility in the management, organization, lawmaking.

It is necessary to emphasise that the laws, governing the Moldovan cooperative system, in principle, are flexible and allow for the necessary transformations that come during the transitional period in some structural problems. It started with the law on the cooperative system adopted in 1992, then logically and organically developed in other, special and general laws and provisions, normative acts that formed the legal basis of the current national cooperative system which, in principle, corresponds to the development level of production relations based on private property. Under appropriate legal support, cooperatives of different social and economic sizes and shapes are involved in solving problems and needs generated by the difficulties faced by the national economy nowadays.

This does not mean that the system of laws governing this socio-economical section is perfect and is up to the internal and external challenges, and is not lacking continuity, integrity, rigidity, contradictions and constraints. Consumer cooperatives play a significant role in the national economy and social life, and offer viable alternatives through the creation of a different type of economic assets in relation to the companies and organizations that stand at the base of private property and market economy laws. This explains that the lawmaking of the cooperative system practically ensures the legal framework for cooperatives of different forms in the country, contributes to the foundation and development of cooperative societies, as well as their association in territorial unions.

Moreover, the provisions of the Law on Consumer Cooperation of the Republic of Moldova regarding the establishment, organization and functioning of consumer cooperatives are in line with the current trends in the EU.

At the jubilee Congress of the International Cooperative Alliance in Manchester, 1995, the cooperative identity was defined as follows: „The 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].”

The definition determines the basic features of the cooperatives: (a) an autonomous association towards the governmental institutions and capital companies, operating in accordance with the market laws, as well as to individuals; and (b) created by free, voluntary association of members in their own free will without being subjected to any constraints or restrictions; (c) founded on the democratic principle („one person - one vote”) in choosing the members of their management and in adopting the main solutions for everyday and perspective activity; (d) with a fair, impartial, unbiased, equitable remuneration system.

The definition of the consumer cooperative adopted by the law on consumer cooperatives of the Republic of Moldova is as follows: „The consumer cooperative is an autonomous and independent association of individuals, created on the principle of free consent, through the cooperation of social shares of its members, engaged in economic activities to meet their interests and consumption needs”.

By comparing these two definitions of the cooperatives, we can conclude that the Law on Consumer Cooperatives addresses to the principles and values of the constitution and operation of the cooperatives similar or very close to those democratic principles of international cooperation adopted at the Congress in Manchester in 1995.

To confirm the above statements, here are some principles of the Law on Consumer Cooperatives of the Republic of Moldova:

- a) **The procedure for establishing consumer cooperatives** can be carried out without great effort - cooperatives can be constituted within the territorial range of one or more localities and / or in the same locality where one or more consumer cooperatives can operate (Article 19 (1) and (2) The Law C.C.);
- b) **The consumer cooperative shall be established by a decision adopted by the constituent assembly, which must be attended by at least 7 members-cooperators.** In the Civil Code the number of founding members is 5 (Article 171, paragraph (1));
- c) **The cooperative may be established with a variable social capital.** The amount of a share shall be determined at the constituent meeting and may be amended in accordance with its statute. Without difficulty, the members of the cooperative or the associated cooperative organization are able to withdraw their share upon request (Law C.C. Article 89 (2), Article 90 (1) and (5));
- d) **The individuals can associate in consumer cooperatives and are able to leave them voluntarily, freely.** Consumer cooperatives are open to all individuals, capable to carry out services and assume responsibility as members, who are equal in rights to be promoted to the governing and control bodies without any discrimination on political criteria, race, nationality, language, religion, sex, wealth (Law C.C. Article 6 (1) and (3), Article 9 (1) and (2));

- e) **The democratic nature of cooperative society** is confirmed by strict observance of the principle of „one member - one vote”, regardless of the number of subscribed shares, and all decisions are taken only collectively by a vote in which all the cooperative members take part (C.C. Law, Article 7 (1) and (2), Article 8 (2)). The regulations of the democratic governing structures within the consumer co-operation shall be ensured by providing the participation of the co-operating members in the management and control of the collective activity;
- f) **The cooperative organization is a non-governmental and non-business organization** created in order to meet the needs and interests of cooperative members, who participate in the activity of the cooperative organization on an equal basis, in the formation of social capital, and as a result enjoy fair and equitable distribution. The relations between cooperative members and consumer cooperative organizations are established on mutually beneficial conditions. Cooperatives serve their members most effectively (C.C. Law, Article 4 (4) (1) and (2), Article 11, Article 12). According to Article 15 of the Law C.C., the consumer cooperative works **independently** on the basis of its own development programs;
- g) **The interests of cooperative members regarding the cooperative’s property** are protected by the Law C.C (Article 89 (1), (2) and (3)) which establishes that the property of the consumer cooperative organization is private property, protected by the law and consists of one divisible part and one indivisible part. The divisible part comprises the shares deposited by the cooperative members, and the indivisible part includes the assets accumulated during the subsequent course of business without the divisible share. In case of consumer cooperative liquidation the claims (if any) and shares shall be returned to the founding members from the divisible part, according to the statute, and the indivisible part shall be transmitted to the territorial union to which it belongs;
- h) **In conclusion, the consumer cooperative is formed on the basis of the above-mentioned principles as a private legal entity.** Based on Article 1 of the Law C.C., the consumer cooperative is an autonomous and independent association of individuals, created on the principles of free consent, through the cooperation of shares of its members engaged in the economic activities to satisfy their interests and their consumption needs.

This definition (Article 4 referred to above in paragraph (f)) comes with an addition which states that the given organization is non-governmental and non-commercial, and Article 82 (1) states that the forms of legal organization of consumer cooperatives are the consumer cooperative, the territorial union of consumer cooperatives and the central union of consumer cooperatives.

Cooperative organizations may set up cooperative companies as independent legal entities with commercial character (Article 82 (2)).

4.3. Some Views on the Cooperative System Legislation in EU Countries

According to the European Parliament working document, the legislation of the cooperative system in the Member States of the European Union is divided in the following way:

- countries in which the legislative system of the cooperatives is divided into sectors, in accordance with the specificity of each sector, as well as social aims (Belgium, Ireland);
- countries in which cooperative legislation that could regulate the establishment and operation of cooperatives has not been developed. Cooperative enterprises are determined

by the constitution statutes that outline their cooperative nature (Denmark, Great Britain, Luxembourg);

- countries in which a general cooperative law has been drafted for the whole economy, which provides a legal framework on the basis of which cooperatives of all forms are established and operate (Germany, France, Italy, Spain, Austria).

The Rome Treaty, establishing the European Community, notes (Article 48) that cooperative entities are recognized as companies or firms, but this determination does not provide, in relation to other forms of businesses, equal and equitable relationships.

In order to facilitate cooperatives to realize their economic potential under market economy laws, develop the democratic relations immanent to the cooperative system, foster social responsibility at European level, the European Council decided to create the **European cooperative societies with transnational character**. To do this, the Council of Europe has adopted Regulation No. 1435/2003 of the Council of 22 July 2003 regarding the status of the European Cooperative Society (ECS). The Regulation establishes the ECS legal status and guarantees equality of competition conditions between cooperative societies and capital companies [10]. The Regulation provides:

a) **Establishment of the ECS:** ECS may be constituted:

- By at least five individuals and/or legal persons residents in at least two Member States of the European Economic Area (EEA), formed in accordance with the law of a Member State of the European Union (EU) and governed by the law of, at least, two Member States of the EU.
- Through the merger of **cooperatives** constituted under the law of a Member State, in which have their registered office and the central administration in that State.
- By converting a **cooperative** formed in accordance with the law of a Member State of the EU which has its office and the central administration in EEA if that cooperative has, for at least two years, a unit or a subsidiary company which is governed by the law of another Member State of the EU.

b) **Capital of the ECS:** the share capital of the ECS is represented by the shares of its members. This capital must add up to at least 30 000 EUR. The legislation of a Member State requiring a greater subscribed capital for legal persons who perform certain types of activities (such as banking, insurance, etc.) applies to those ECSs which have their head office in that Member State. Once a year, the general meeting must declare, by resolution, the amount of capital at the end of that financial year and its demarcations towards the preceding year.

If the law of a Member State, where the ECS head office has its premises, allows, the ECS may have cooperative members as investors with limited voting rights.

c) **The ECS statute:** the founding members draft the statute of the ECS, in accordance with the provisions establishing national cooperatives. The statute is developed in a written form and signed by the founding members.

d) **The principle of non-discrimination.** Subject to these Regulations, the ECS shall be treated in each Member State as a national cooperative.

Registration and advertising. Any ECS shall be registered in the Member State, where its head office is located, in a register designated by the law of the Member State in question. Registration

and cancellation of registration shall be the subject of a notice published for informative purposes in the Official Journal of the European Union.

e) **Structures of ECS.** The structure of an ECS comprises, on the one hand, the **general assembly**, and on the other hand:

- either a **governing body** and a **supervisory body** (two-tier system);
- either **an administrative body** (one-tier system), according to the option referred to in the ECS statute.

In the general assembly, members have, in principle, equal voting rights. Exceptions may occur in favor of big investors of cooperatives, in certain financial cooperatives.

The governing body or the administrative body, depending on the type of structure chosen, manages the ECS and may represent it in the justice system or hire the third party to represent it.

The statute of the ECS enlists the categories of operations which require an authorization. It may be awarded to the governing or administrative board by the supervisory body, or by the decision of the general assembly.

f) **Audit and publication of accounts.** ECS shall be subjected to the laws of the Member State in which it is located, regarding the preparation, audit and publication of annual reports and consolidated reports.

g) **The dissolution, liquidation, insolvency and cessation of payments.** Dissolution of ECS is pronounced either by the decision of the general assembly, in particular when it reaches the statute's deadline or when social capital is reduced below the minimum fixed value; or by the legal proceedings, for example, in case the headquarters of ECS have been transferred outside the EEA. ECS which is the subject of winding-up proceedings, insolvency, or cessation of payments shall be subjected to the provisions of the national legislation of the State in which the head office is located.

By drawing your attention and referring to this Regulation, we want to encourage the creation of transnational cooperative societies in the Republic of Moldova to promote activity at the European level.

The improvement of the **legal framework in the field of the cooperative system by the Member States, as well as the European Community institutions, consists of establishing the formation and functionality of the cooperatives by ensuring the cooperative characteristics in accordance with the principles and values established by the International Cooperative Alliance (here- The Cooperative Identity Declaration of 1995 and updated in 1996) and, at the same time, provides cooperatives with access to the capital market. The principles listed and recommended to all national cooperative systems by the Cooperative Identity Declaration are, as follows:**

a) **The possibility of voluntary, free and open association.** The association is carried out by a group of people with homogeneous interests. This principle in the German cooperative law (1990) is mentioned by free adhesion, the unlimited number of members, and the admission of new members irrespective of the date when the cooperative was established. The Law of Workers' Cooperatives in France (1978) and the General Cooperatives Act of Spain (1987) also stipulate that the cooperative societies have a variable capital, democratic structure and management,

associates, under free adhesion and voluntary withdrawal, persons with common socio-economic interest or needs. The formulations of this principle in the Law on consumer cooperatives of Moldova are practically similar to those in Romania. In the notion of the consumer cooperative in Moldova and France, there is no reference to the „open” concept, which means that any person may join or leave the cooperative regardless of the date of its establishment.

b) **The democratic control of cooperative members on the decisions made by the cooperative society.** The democratic functioning of cooperatives, as well as equal rights of cooperative members and their management without any discrimination are achieved through the rules that determine the election procedures and the establishment of decision-making bodies at various levels. This principle is stated in the laws on cooperatives in France, Germany, Italy, Spain, etc. The democratic principles are reflected in the fact that the activity of cooperatives is under the control of its members.

c) **The autonomy and independence from the state and public authorities, other individuals or legal persons.** This principle is provided in the national law of the countries that can be generalized as follows: cooperative societies are autonomous, independent, determine all parameters of their activity, including production of goods, provision of services in order to satisfy the needs of cooperative members in accordance with the provisions of the law without any interference or constraint from outside the cooperative society.

d) **Fair economic participation of cooperative members through labor and capital.** This principle is applied in the same way in all member-states and forms the basis of the national law. In addition, the Cooperative Law in Italy (1985) stipulates the establishment of funds through the National Labor Bank, which can be allocated to cooperatives in larger volumes than the social funds of the cooperatives.

e) **Cooperation and mutual aid between cooperatives and cooperating members** is an important principle, characteristic to the cooperative system. It is regulated not only by the provisions of the laws on cooperative of the EU member states, but also in the documents of different Unions, Federations, Confederations, as well as Continental and Global organizations and forums, which associate cooperative companies in order to protect and promote the cooperative movement.

f) **Education, training and information** of cooperative members and employees regarding the essence and the nature of cooperation, awareness of their rights and collective responsibility for obtaining the expected results.

In some countries, funds for education are provided by law.

g) **Concern for the community.** Cooperatives are the result of the free association of people with the same interests from a certain area, which may be satisfied most effectively by the cooperative system. Addressing the needs of these cooperating members contributes to solving community problems, namely, job creation, development of local infrastructure, environmental sustainability. The volume of cooperative's contribution to solving the problems of community depends on its size and complexity. It is worth mentioning that cooperatives started in England and Germany with values such as self-aid, equality, equity, democracy, and social responsibility, and have begun the 3rd millenium with an efficient participation in the Corporate Social.

5. Conclusions

The solution of the controversial issues concerning the development of the European cooperative system is considered by some specialists through the elaboration of measures, which highlight the enhanced contribution of cooperatives to the community policies by incorporating them more broadly into community goals.

In this context, various publications present proposals to carry out reforms in order to overshadow or weaken the intensity of restrictions on the creation and functioning of cooperatives, and, by this, to increase their access to the capital market and broader economic activities, including through their participation in the national community objectives. The followers of the development of the cooperative system, based on the classical principles, are pleading for the inclusion of cooperatives in solving community objectives only in accordance with renewed and established principles by the International Cooperative Alliance. From the disputes that arise on these issues, we can highlight several suggestions:

- to allow the third parties to participate in the formation of cooperative capital, and, as a result, to provide some members with more than one vote.
- to legally consolidate the cooperative transformation into a capital company and issue bonds on the risk capital;
- to create cooperatives with broader economic functions to gain access to the capital market with wider economic activities, to the national community goals, as well as their contribution to these objectives;
- to reduce the minimum number of persons empowered to form a cooperative.

For the Republic of Moldova we need to mention the following:

- The non-commercial legal nature of consumer cooperatives without financial support from the state in the competitive economy conditions limits these economic entities as compared to other competitors and may lead to the crisis of the system;
- The law of consumer cooperatives shades the economic activity of the cooperatives, leaves it without the functions, characteristics, and economic guidelines which can provide benefits, and cooperative members are not motivated to increase the shared capital. One of the solutions may be to legislate the right of cooperatives to participate as founder, shareholder or co-owner in different economic and social structures. This right would preserve the basic characteristics of the cooperative, and, at the same time, the cooperative would have access to the capital and development.
- The legal content of private property is expressed by possession, use and disposal. These three categories are interdependent and engage in mutual action which determines the legal content of the notion of private property. If the indivisible part of the property cannot be acquired by the cooperative members (Article 89, paragraph (3) Law C.C.) it means that this property is not private. For example, it cannot be pledged to receive the credits necessary for the development. The consumer cooperative organization transmits to its companies the title of ownership and use of the property necessary for their activity (Article 94 (1) Law C.C.). How can a property be transferred without having the right of disposal? It is obviously necessary to change the legal framework of the cooperative property.
- The efforts of the European specialists to transform some cooperatives into the joint stock companies with the right to issue specific bonds representing the risk capital, as well as

reducing the number of persons able to form a cooperative, are available for our country too.

It is necessary to elaborate a legal statute (similar to the European Council Regulation N1435/2003 of 22 July 2003 on European Cooperative Societies) for the purpose of determining the legal support, necessary for the establishment and operation of transnational cooperatives. Similar to the European regulations the state guarantees equal competitive conditions for the cooperatives and companies with capital.

REFERENCES

1. Al Doilea Raport cu privire la ODM /The Second Report on the MDGs, p. 9 (source: IMF, World Economic Outlook Database, April 2010).
2. ŞAVGA, L., PANUŢĂ, A., PANUŢĂ, S. Cooperația de consum din Moldova: evoluții și orientări strategice de dezvoltare, publicat în Analele științifice ale UCCM / Consumer Co-operation in Moldova: Developments and Strategic Development Guidelines, published in the UCCM Scientific Annals, Vol. XI. p. 5. Chișinău – 2012. ISSN 1857-1239
3. CHIVRIGA, V. Evoluția pieței funciare agricole în Republica Moldova /The Evolution of the Agricultural Land Market in the Republic of Moldova. IDIS „Viitorul”. Politici publice N 4, 2009, p. 12-13.
4. Legea cu privire la cooperatie/ Law on Co-operatives No. 864 – XII of 16.01.92, Monitorul Oficial Journal No.1 art. 14, 1992 (abrogated).
5. Legea privind cooperativele de producție / Law on Production Cooperatives No. 1007 – XV of 25.04.2002, Monitorul Oficial Journal No. 71-73 of 06.06.2002.
6. Legea privind cooperativele de întreprinzător / Law on Business Cooperatives No. 73-XV of 12.01.2001, Monitorul Oficial Journal of the Republic of Moldova No. 49-50 of 03.05.2001.
7. Legea cooperatiei de consum / Law on Consumer Cooperation No. 1252-XIV of 28.09.2000, Monitorul Oficial Journal of the Republic of Moldova No. 154-156 of 14.12.2000.
8. Codul civil al Republicii Moldova / Civil Code of the Republic of Moldova approved by Law No. 1107-XV of 06.06.2002, Monitorul Oficial Journal of the Republic of Moldova No. 82-86 of 22.06.2002.
9. Statement on the Cooperative Identity, elaborated at the Congress of the International Cooperative Alliance, Manchester, 1995
10. Parlamentul European. Cooperativele în Europa antreprenorială. Document de lucru al Comisiei de servicii. / European Parliament. Cooperatives in Entrepreneurial Europe. Working document of the Services Commission, Bruxelles, 2002.
11. ŞAVGA, L. Obiectivele de dezvoltare a cooperativelor de consum prin optica politicii europene. Analele științifice ale UCCM, volumul IX. Chișinău: 2011, p. 3-18 . ISSN 1857-1239
12. ŞAVGA, L., DANDARA, L. Viziuni privind reglementarea cooperatiei de consum din Republica Moldova. Analele științifice ale UCCM, volumul XI. Chișinău: 2012, p. 96-108. ISSN 1857-1239
13. MALECA, T. Modele alternative de organizare a activității cooperatiei de consum. Analele științifice ale UCCM, volumul XI. Partea a doua. Chișinău: 2013. ISSN 1857-1239
14. MELINTE, C. Redefining the Mission and the Image of the Cooperative Model of the Company. In: Economy Transdisciplinary Cognition, vol. XIV, issue 1/2011, George Bacovia University Publishing House, Bacău (Romania). 2011, pp. 79-87. Available: <http://d.researchbib.com/f/enBGZjZQHhpTEz.pdf>
15. MELINTE, C., TCACIUC, C. The opportunities of the application of the Cooperative model of the companies in the Republic of Moldova in conditions of crisis – parallels with the world tendencies // în culegere: Progrese în teoria deciziilor economice în condiții de risc și incertitudine. Coord.: Ion Talabă, Teodor Păduraru ș.a. – Iași, Romania: Tehnopress. 2009.
16. МОРАРУ, С. К., РАЕВСКАЯ, И. А. Опыт становления и развития кредитной кооперации в некоторых западных странах и его позитивное использование в Республике Молдова. В: Міжнародний кооперативний рух: генезис та тенденції сучасного розвитку: Матеріали між. научно-практ. конф., 16-17 лют. 2012. Полтава: ПУЕТ, 2012, с. 228-231.
17. MORARU, S., UNGUREANU, O. Кооперативная система как третий сектор экономики в индустриально развитых странах. Analele științifice ale UCCM, volumul XI. Chișinău: 2012, p. 12-34. ISSN 1857-1239
18. http://europa.eu/legislation_summaries/employment_and_social_policy/social_dialog126018ro.htm
19. www.coopseurope.coop/IMG/pdf/Co-op_statute.pdf
20. www.ica.coop/coop/statistics.html

Rezumat

Sistemul cooperatist în contextul dezvoltării durabile și al evoluției proceselor economice internaționale cauzate de globalizare a devenit o componentă semnificativă a economiei globale, element distinct al societății contemporane. Scopul natural al cooperativelor de a juca un rol important este confirmat de funcționalitatea versatilă și capacitatea de a răspunde în mod eficient la dinamica și diversitatea piețelor dovedite pe parcursul activității lor pe termen lung. Semnarea Acordului de Asociere Moldova-UE necesită elaborarea legislației și modernizarea structurilor de cooperare, extinderea domeniilor de activitate în noile sectoare ale economiei moderne, luarea deciziilor manageriale eficiente pentru dezvoltarea sectorului cooperativ în conformitate cu cerințele europene. Punctul de plecare în acest material de studiu este analiza comparativă a legislației privind cooperativele din Republica Moldova și UE, care definește structura organizatorică și funcțională a cooperativelor, cu scopul de a evidenția unele ajustări necesare din cadrul legislației al Republicii Moldova în conformitate cu UE.

Cuvinte-cheie: cooperative de consum și transnaționale, valori și principii cooperatiste, cooperative și concurență, produsul intern brut (PIB), obiectivele de dezvoltare ale mileniului (ODM)

Аннотация

Кооперативная система, в контексте устойчивого развития и эволюции международных экономических процессов, вызванных глобализацией, стала важной составляющей мировой экономики, отчетливым элементом современного общества. Естественная цель кооперативов, играть важную роль, подтверждается универсальной функциональностью и способностью эффективно реагировать на динамику и разнообразие рынков, доказанных на протяжении всей их долгосрочной деятельности. Подписание Соглашения об ассоциации между Молдовой и ЕС требует разработки законодательства и модернизации кооперативных структур, расширения сфер деятельности для новых секторов современной экономики, принятия эффективных управленческих решений по развитию кооперативного сектора в соответствии с европейскими требованиями. Отправной точкой в данном исследовательском материале является сравнительный анализ законодательства о кооперации Республики Молдова и ЕС, которое определяет организационную и функциональную структуру кооперативов с целью проведения некоторых изменений в правовой базе Республики Молдова в соответствии с законодательством ЕВРОСОЮЗА.

Ключевые слова: потребительские и транснациональные кооперативы, кооперативные ценности и принципы, кооперативы и конкуренция, валовой внутренний продукт (ВВП), цели развития тысячелетия (ЦРТ)

The publication is fulfilled within the research Project „Domestic trade and consumer cooperatives development in the context of economic integration of the Republic of Moldova in the European Community” (code 15.817.06.28A).

Received 21.11.2018

Accepted 26.12.2018

Published 28.12.2018