

ANALYSIS OF LEGISLATIVE FRAMEWORK OF THE CONSUMER CO-OPERATIVES' ACTIVITY AND VISIONS OF ITS IMPROVING

Larisa SAVGA, Prof., PhD,
Trade Co-operative University of Moldova
E-mail: lsavga@gmail.com

Liliana DANDARA, Assoc. Prof., PhD,
Trade Co-operative University of Moldova
E-mail: liliana.dandara@mail.ru

Abstract

Consumer co-operatives in Moldova have become one of the most important sectors of the national economy in the Republic of Moldova, with a history of about 145 years. Having a deep social and democratic character and being concerned of meeting the needs of its members and the population in general, co-operatives have resisted challenges over time, and have developed, maintaining their autonomy.

Socio-economic transformations in the country after the Declaration of independence have placed the sector in a process of continuous change to meet the challenges of the respective periods. Maintenance and development of consumer co-operatives, as well as keeping its heritage integrity required the development of appropriate legislative framework in the field.

Adoption of the Law of Consumer Co-operatives and later of the Civil Code of the Republic of Moldova have determined the legal basis for the organization and functioning of consumer co-operatives. The analysis of legal framework reveals the existence of certain deficiencies, legal contradictions and gaps which represent a barrier to the development of consumer co-operatives.

The paper offers a well-reasoned exposition of some recommendations on improving the legislative framework for consumer co-operatives, implementation of which will enhance the internal and external investments, will motivate the members and employees to develop co-operatives and work efficiently.

Keywords: *consumer co-operatives, legal framework, improving of co-operative legislation, changes in ferenda law.*

JEL classification: K29

1. Introduction

Implementation of market economy mechanisms during the last two decades in the Republic of Moldova favoured the development of entrepreneurship and the diversity of organizational and legal forms of economic activity.

The co-operative sector is one of the most important parts of the socio-economic system in the country. In the course of time, it assumed different organizational forms and developed with various intensity, adapting to different social systems.

This sector is represented by different types of cooperatives, the most spread ones being producers' co-operatives, consumer co-operatives and entrepreneurship co-operatives, which operate in the domestic market, trying to cope with the challenges of the competitive environment.

According to The State Chamber of Registration of the Republic of Moldova [12] on January 1, 2014 there were 3.985 co-operatives (producers' co-operatives, consumer co-operatives and

entrepreneurship co-operatives) in the total number of 164.566 registered legal entities and sole proprietorships, or 2.4% of all registered businesses, as presented in Figure 1.

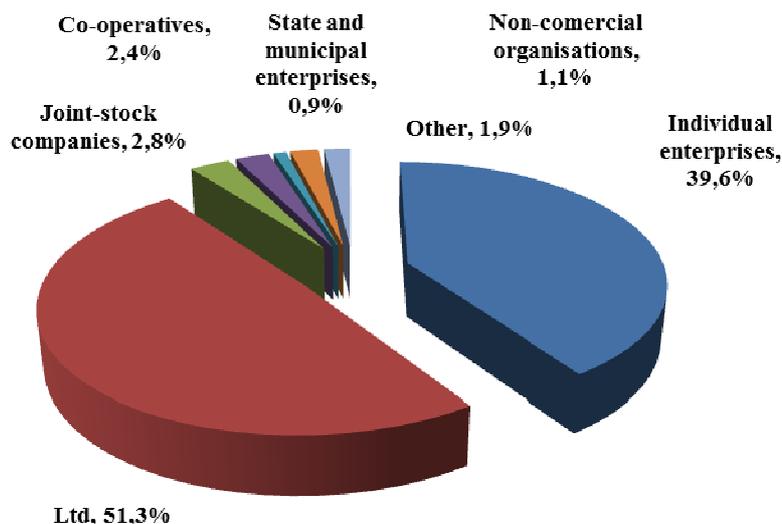


Figure 1: The economic structure of the Republic of Moldova according to the organizational and legal form of businesses

Source: [12].

But during the last years it has been stated that there is a decrease in the number of co-operatives whilst the number of registered enterprises is increasing. So, on October 1, 2012 there were 4.014 registered co-operatives from the total number of 162.908 economic entities (2.5%). The tendency confirms the existence of certain barriers in the de co-operatives' development in the country.

A significant role within the co-operative structure is attributed to the consumer co-operatives which is an important sector of the economy with a clear defined mission. Due to the profound social and democratic character and having the mission of satisfying the consuming and social needs of the population, consumer co-operatives have developed and resisted over the time, maintaining its autonomy regardless of time and governing of the country, knowing periods of ascension but also of decline.

Traditionally the consumer co-operatives in Moldova operate in rural areas. Until the early 90's, the consumer co-operatives had a strong position in the domestic market and were the only one retailer and services provider in the rural area with a market share of between 36% and 40% of the total retail turnover in the country, running their own network of shops, amounting to between 60% and 65% of all shops in Moldova. They had one million members or 23% of the country's population and secured jobs for almost 70 thousand people.

The transition to market economy and the evolvement of the market forces since the early 90's intensified dramatically the competition. At the very beginning of this process the consumer co-operatives were not prepared to face this challenge and had to downsize their activities. The period until 2002 was characterized by a further decline in the economic activities, weakening its market position and loss of market shares, inefficient utilization of its own infrastructure. In 2002 the decline stopped, a phase of stabilization and growth began. In the next period there was initiated the important process of reopening and modernization of co-operatives infrastructure in the retail and wholesale trade, public catering and production, particularly bread baking, of the

diversification and extending of co-operatives activity. All these contributed to the improvement of the financial-economic situation of consumer co-operatives and its transition from an inefficient to a profitable system.

At present there are 104 co-operative societies with about 200 thousand members. Together with another 67 companies, owned by the co-operatives, they employed about 6000 people. Consumer co-operatives run operating units in 1107 villages or 66 % in the country. They served 1.8 million people or 53 % of the country's population. Consumer co-operatives operate in the following business areas: retail and wholesale trade, public catering, procurement of agricultural products and products of other nature from the population, food production, service sector (transportation, education, etc.). The main important sector of the co-operatives' activity is the trade, having a dominant share of around 80 % in the turnover of consumer co-operatives in the country. At the same time, the share of co-operatives sales in the rural trade's turnover constituted in the last years only 10-15%.

The analysis of co-operatives' activity confirms that the consumer co-operation hasn't become a stable, durable system yet and it is easily influenced by external and internal factors, it hasn't succeeded to generate a sustainable growth despite the existing growth potential. This is also being confirmed by the following information: the share of retail sales in the consumer co-operation in the rural trade's turnover is diminishing; the infrastructure is being used only partially (in retail trade is used only 75% from the available infrastructure), in other domains (industry, procurement) the utility of infrastructure is lower; the institutional capacities for investments in the development of the co-operative infrastructure are limited compared to the needs; the number of co-operative members is decreasing, very few new members are being registered etc. Challenges and problems faced by consumer co-operatives in the country, as well as development trends of the sector are comprehensively analyzed in previous publications [11, pp.1368-1373].

The above mentioned demonstrates the existence of deficiencies in consumer co-operatives' activity; there is increased demand for consumer co-operatives' social responsibility as well as the necessity of efficient mechanisms for redressing the situation in order to advance in economic and social development of the co-operative system. Among the main factors of constraints there can be mentioned the legal, economic and financial, organizational and managerial, patrimonial and motivational factors. Nevertheless, the priority is attributed to improving the legislative framework because this assures the necessary premises for an efficient functioning of the co-operative system.

2. The analysis of the legal framework of the co-operatives' activity

Among the first legislative acts which constituted the foundation for legal regulation of co-operatives in the country was the Law on Co-operatives [2]. The regulations of this law led to the establishment of legal basis of co-operative system's activity during the transition period, the current legal framework being a coherent continuation of them.

Based on the analysis of legislation in force of the Republic of Moldova, co-operatives are classified into several categories, namely: entrepreneur co-operatives, production co-operatives, consumer co-operatives, credit co-operatives (called in the legislation „savings and loan associations of citizens”). It needs to be mentioned that consumer co-operatives have a dominating position in the co-operative sector of the country.

These types of co-operatives are regulated, except the provisions of the Civil Code (Article 171-178) [1] by: the Law of Consumer Co-operatives [3], the Law on Entrepreneurship Co-operatives [4], the Law on Production Co-operatives [5] and other normative acts on certain types of co-operatives that have some specifics compared to the types listed above. The Civil Code contains special provisions concerning co-operatives (regarding the general rules on legal entity), but they are applied when special laws don't regulate differently. The purpose of all normative acts is to ensure the necessary regulations for setting up and for carrying out activity of some various forms of co-operatives.

In fact, most regulations in the field of co-operatives take into account the legislative trends of European countries such as: setting a minimum number of persons entitled to create a co-operative, the extension of activities and collaboration with members, allowing the third parties to participate in the capital's formation („financiers members”) etc. allowing the transformation of the consumer co-operatives in a commercial society.

We would like to mention in this context that, in terms of the legislation which regulates the co-operatives, European states may be divided into three categories: states where a general co-operative law exists (Belgium, Finland), states where the co-operative law is divided according to the social and sectorial aims of the co-operative (France, Italy, Portugal, Spain, Sweden), among which the Republic of Moldova is, and states where co-operative legislation doesn't exist and where the co-operative nature of the company derives from associating acts (United Kingdom, Netherlands, Denmark, Luxembourg).

The national legal framework regarding consumer co-operatives, especially the Law on Consumer Co-operatives fulfils the traditional norms. The consumer co-operatives are created by associating individuals [3, Article 1] with non-commercial aim for satisfying member's interests [3, Article 4]. The minimal number of members is 7 persons [3, Article 20]; the members participate at the foundation of the co-operatives by submitted social quota. Consumer co-operatives are democratic organizations controlled by its members. The decisions are taken based on the principle „one member – one vote” [3, Article 8]. According to the mentioned law the patrimony of the consumer cooperatives comprises divisible and indivisible parts (which cannot be owned by members). Distribution of profit is done according to the decision of co-operative authorities proportionally to the submitted social share.

The deep analysis of the existed socio-economic model of the consumer co-operatives' system in comparison to the challenges of modern economy shows some contradictions in this field and deficiencies of legal regulations, which appear like barriers in the development of the consumer co-operatives.

Co-operatives are, like commercial societies, legal persons of private law under this category, but they occupy a special role. Thus, although they look alike in many aspects with commercial societies, co-operatives are not identical with them neither regarding general or special regulations referring to the two categories of legal persons. In comparison with commercial societies, which main aim is to obtain profit, co-operatives are rather to serve the needs of its members who own and control them. Generally, co-operatives are therefore legal entities with or without economic character, with their own specific profit.

The Civil Code defines a co-operative as „a voluntary association of individuals and legal entities organized on corporate principles in order to favour and guarantee, through joint action of its members, the economic interests and other legal interests” [1, Article 171 paragraph (1)].

In this context, the Law on Consumer Co-operatives (Article 1) states that „consumer co-operative is an autonomous and independent association of natural persons set up on the principle of free consent, by co-operating social parts of their members, who unfold economic activities to satisfy their interests and their need for consumption”. According to Article 4 of the same Law, „consumer co-operative is a non-governmental and non-commercial organization, which unfolds economic activity in order to satisfy the needs and interests of its members according to this law and their own statute; the main aims of the consumer co-operatives’ organization are:

- satisfying the interests and needs of co-operative members,
- creation and development of infrastructure, extending the consumer co-operatives,
- consumers’ protection,
- influencing upon the consuming policies,
- other objectives according to its legislation and statute.

It should be noted that phrase „consumer co-operative organization” includes the meaning of juridical-organizational forms of consumer co-operative, their territorial units and Central Union of Consumer Co-operatives” [3, Article 1, 82]. The consumer cooperative organizations may establish co-operative enterprises - private legal persons with commercial character established to fulfil their aims and objectives, which unfold activities according to the legislation and their statute.

From the above-mentioned definitions, but also from observations made with regard to legal regulations in the domain, the following juridical characters of the consumer co-operatives can be highlighted:

- ✓ *possibility to associate freely and voluntarily and to withdraw unconditionally* [3, Article 6, 9]. Consumer co-operatives are constituted based on free consent and are open to all persons who agree to assume responsibilities of co-operative members without any discrimination upon nationality, origin, political membership, social origin or sex. Based on the same principle, the consumer co-operative organizations may be associated in territorial unions or/and in Central Union and may withdraw their membership based on the decision of the supreme governing authority;
- ✓ *the democratic structure of functioning and collegiality* [3, Article 7, 8]. Consumer Co-operatives function democratically and are controlled by co-operative members who participate at the defining policies and adopting decisions in a collegial way according to the principle “one member-one vote”, but the elected authorities are responsible to their members;
- ✓ *an equitable economic (social capital) participation of the members* [3, Article 12]. In such a way, every member of consumer co-operatives (co-operative organizations) contributes equally to the constitution of the social capital, actively participates at its activity and finally benefits of economic results and their fair distribution;
- ✓ *different social capital*, which is susceptible by growing through gradual payments made by associate members (co-operative organizations) and by diminishing in the case of taking back, totally or partially, the paid participation fee [3, Article 89, 90].
- ✓ *consumer co-operatives’ autonomy and independence* [3, Article 15] regarding their relations to other legal entities and physical persons, including the public authorities. Interference of public authorities in the economic, financial and other activities of consumer co-operatives organizations is forbidden.

Non-commercial character of the consumer co-operatives, imposed by law, corresponds to co-operative principles, but in actual conditions it represents an impediment to boosting the social-economic development of consumer co-operatives and needs to be removed. It should be mentioned that co-operative organizations from many European states found their own solutions using innovative forms of co-operative organizations by constituting branches partially or exclusively based on capital, by creating common funds of investments.

Another aspect is the procedures for setting up consumer co-operatives. They can be constituted on the territorial area of one or many locations. The Civil Code foresees the minimum number of members for establishing the co-operative - 5 persons (Article 171, paragraph (1); the special norm of the Law on Consumer Co-operatives [3] included in Article 20, paragraph (1) foresees the minimum number of 7 natural persons for constituting the consumer co-operative. The Law does not foresee the maximum number of members, but it regulates a certain number of members for certain activities (for example, the possibility of participating at general meetings of consumer co-operatives with more than 300 members or of consumer co-operatives which unfold activity in the area of more locations of chosen representatives from co-operative sectors, based on norms of representation established by the Administrative Council).

An issue of real interest linked to the establishment of consumer co-operatives is the one linked to the obligation to unfold constitutive meetings foreseen by Article 20 of the Law on Consumer Co-operatives [3]. Given that the Civil Code does not contain any provision in this aspect, the wording of Article 172 paragraph (4) may infer that such a meeting is not necessary; it results that „the silence” of the Code cannot be interpreted otherwise than as the validation solution offered by the special provisions of the Act.

Taking into account the needs linked to the co-operatives' development in a modern society, the European co-operative practice demonstrates the need to modify the legal provisions in order to reduce the minimum number of persons in force to create a co-operative. In such a way it is necessary to exclude the special regulations (Article 20, paragraph (1) of the Law on Consumer Co-operatives [3] and to apply general provisions of the Civil Code for consumer co-operatives.

The state registration of the co-operatives as a final stage of the process of their setting presents an interest, as well. So, the status of legal entity is obtained by the co-operative in the result of its state registration, according to Article 53 of the Civil Code [1] and Article 84, paragraph (5) of the Law on Consumer Co-operatives [3]. According to Article 173 of the Civil Code [1], the state registration of co-operatives is done in the same way as established for commercial societies. Concretely, the registration of co-operatives is done by territorial authorities of the Chamber for State registration according to the provisions of the Law on State Registration of Legal Entities and Individual Entrepreneurs [6]. The provisions of this law are completed with the provisions of Article 84 of the Law on Consumer Co-operatives [3] which foresees that state registration of consumer co-operatives organization is done by the Ministry of Justice. After registration, the consumer co-operative is also registered in the Registry of Non-commercial Organizations.

This legal contradiction may be removed by changing the non-commercial character of consumer co-operatives. The opportunity of changing is conditioned by the necessity of consumer co-operatives' functioning and its progress in the future.

The imminence of change of consumer co-operatives juridical statute is dictated by the objectives of its activity, too. Regarding to the provisions of Article 31 of the Law on Consumer Co-

operatives [3], in order to reach their aims, the consumer co-operatives may have as an objective and domain of activity: retail trade and wholesale trade; public catering; procuring of agricultural products, of raw materials and products of other nature; activity of investment; establishing educational institutions of consumer co-operatives, their development and maintaining. By these provisions the law reiterates the traditional domains of economic activity of consumer co-operatives, being necessary to re-evaluate all these taking into account the competitive advantages and the efficiency of their functioning.

Social-economic objectives and perspectives of developing the consumer co-operative system may be reached only by efficiently using the infrastructure. Legal regulations concerning the patrimony and juridical regime of consumer co-operatives' properties are essential for the development of co-operative system. In such a way the co-operative, as any other legal entity, has its own patrimony, which existence being a condition of *sine qua non* of its existence. This patrimony leads to achieving the established socio-economic objectives as stipulated in its constitutive act. One of the most important components of co-operative patrimony is the social capital, i.e. the sum of all participation rates of co-operative members according to its statute [1, Article 174]. We would mention that the law does not require a minimum limit of social capital, but neither a maximum one. The value of the social capital will be determined by the Consumer Co-operatives' members, who are free to decide this as well as the contribution of each person.

The Law of Consumer Co-operatives does not foresee explicitly regulations on the patrimony of Consumer Co-operatives. In such a way, according to Article 89 of the Law of Consumer Co-operatives [1], the property of the consumer co-operatives is private and is composed of a divisible part (49%) and indivisible part (51%). The divisible part of the consumer co-operatives' property organization covers social parts submitted by co-operative members or by associated co-operative organizations. The indivisible part of the consumer co-operatives' property is registered after co-operative organizations and covers all patrimony accumulated during their activities without the divisible part. The indivisible part of the property cannot be acquired by co-operative members or associated co-operative organizations. The alienation of the goods of indivisible property registered after the consumer co-operatives and their territorial units may take place only with the consent of the hierarchical superior co-operative organizations. Contracts of consumer co-operatives' property alienation concluded without observing these provisions are automatically void.

The patrimony, left after liquidation of the co-operative, will be distributed among members according to their status [1, Article 174 paragraph (1)]. Within the consumer co-operatives, the assets which remained after the enforcement of debts and after paying back the social shares to members are transmitted as follows:

- a) in the case of the consumer co-operative - to the territorial unit of which it is a part;
- b) in case of the territorial union - to the central union of which it is a part,
- c) in case of the central union - to consumer co-operatives' organizations [3, Article 104 paragraph (8)].

The legal regime of consumer co-operatives property was regulated so as to ensure its integrity, while the development of co-operative system determines the dynamic nature of its assets. We believe that efficient economic activity and stability of consumer co-operatives in terms of property relations regulations can be achieved by amendment to *ferend law* regarding exclusion of provisions on the division of consumer cooperative heritage, or at least, amending the legal

provisions leading to the increase of the divisible part and to the decrease of the indivisible part; creating attractive legal conditions for foreign and internal investments (from cooperative members, employees); removing limits with regard to exercising the right of the co-operatives to dispose of the goods from indivisible part; personification of indivisible property and setting dividends and other payments (including rent, lease, leasing and disposal of property); comprehensive evaluation of consumer cooperatives infrastructure and determination of the necessary infrastructure for continuous operation of the branch.

Another important aspect relates to members' participation in the formation of patrimony and their patrimony liability. Compared to other types of co-operatives where co-operative members can make contributions both in money (cash) and in goods, consumer co-operatives accept only cash contributions [3, Article 90 paragraph (1)]. The amount of shares is set at the constituent assembly and may be modified by the governing bodies of the co-operative organization according to the statute. Co-operative members and associated co-operative organizations can subscribe one or more social parts. The social shares cannot be: assigned, alienated, established by negotiable securities or interest bearing neither, used to pay personal debts of the co-operative members and co-operatives' debts related to consumer co-operatives' organization or to the third parties. Increase in social shares may be ordered only for new cooperative members and for those who subscribe new shares after their increase. Co-operative members may compensate the social shares up to the new quantum.

In case of withdrawal from the Consumer Co-operative, the co-operative members shall be reimbursed shares of which the share of the loss incurred by the consumer co-operative is retained, according to the last balance sheet approved by the supreme governing body thereof [3, Article 28 paragraph (4)]. In case of exclusion from the consumer co-operative, the co-operative members will be returned, upon request, the social shares of which the share of the loss incurred by the cooperative is retained, according to the last balance sheet approved by the supreme governing body [3, Article 29 paragraph (4)]. The co-operative member or associated co-operative organization may withdraw, upon request, one or more shares, remaining with the same statute as long as it holds a social share, at least.

According to the general principle, legalized in the Civil Code (Article 68 paragraph (1)), legal person is liable for its obligations with all assets which belong to him. Thus, according to the Law on Consumer Co-operatives (Article 94), consumer co-operative organization is liable for its obligations with all its assets. Article 171 paragraph (1) of the Civil Code establishes the principle of limited liability of co-operative members in the value of shareholdings brought to the organisation, namely the share value to which the co-operative member was obliged to according to the statute. Co-operative members are not liable for the obligations of consumer co-operative otherwise than the social shares deposited. It is important to note, however, that these provisions are contrary to those of article 174 paragraph (3) of the Civil Code which basically establish indirect subsidiary liability for the debts of its co-operative members, by the envisaged obligation in their task of covering co-operative personal losses through additional contributions. According to the same law, co-operative members are liable for the obligations of its subsidiary solidarity within the undelivered portion of the additional contribution of each member. Moreover, the legislator provides the possibility of insertion in the Co-operative Statute of some causes which regulates the personal responsibility of co-operative's members (1, Article 172 paragraph (2) b)). Law on Consumer Cooperatives does not stipulate anything about it. In these circumstances, given

that social contributions form the divisible part of consumer co-operative patrimony by which it takes responsibility for its obligations and based on the interpretations of texts, co-operatives' members are tempted to give priority to the provisions of Article 171 paragraph (3) of the Civil Code, which limits the liability of a co-operative member to the value of shareholdings kept in the co-operative patrimony.

We believe that legal rules on liability of co-operative members to be filled, for the purposes of establishing their unlimited solidarity liability subsidiary, are similar to collective responsibility [1, Article 128]. But operation of these changes may condition, on the one hand, the possibility of loss of associate members, and on the other hand, the reluctance of co-operative members employed in the system. Despite this danger, the establishment of solidarity unlimited liability of co-operative members would contribute to the increase of the members' responsibility, their effective participation in the decision making process and control.

In order to promote the quality status image of associated members of consumer co-operatives and to motivate their participation in the economic activity, we consider appropriate to envisage rules regarding: the application of the bonuses system, pay of additional dividends, offer facilities for employment, rendering various services, etc.

Possibility of setting up co-operative enterprises is another area of activity of co-operative organizations. In accordance with Article 93 of Law on Consumer Co-operatives [3], the consumer co-operative, by exercising the right to set up co-operative enterprises, transmit them the property required for their work, in possession and use. Income of co-operative enterprises is focused on meeting the statutory goals of the co-operative organization.

These legal provisions are in direct contradiction with the principles of law applicable to the subject of law having legal personality. Moreover, legislation in force explicitly regulates the organizational-legal forms of the subjects which can perform entrepreneurial economic activities.

It can be concluded that it is necessary to improve the legal framework in order to give co-operative organizations the right to participate as founders in the establishment of other private law entities with the commercial purpose in the juridical-organizational form allowed by law. A solution would be the diversification of forms of organizing the consumer co-operatives, undertaking models of co-operative business.

Consumer co-operative is an autonomous association which brings together people on voluntary basis and aim at satisfying the social, economic and cultural needs of its members and has a democratic management and control [3, Article 33 paragraph (1)]. To implement the principle of democracy co-operative members participate freely in the election of the management and control body of consumer co-operative organizations, holding the right of one vote at general meetings, regardless of the number of social shares subscribed for the adoption of general assembly resolutions, requiring at least two thirds of the co-operative members or their representatives present at the meeting [3, Article 35 paragraph (3)].

The Administrative Council of the consumer co-operative manages the activity in the period between general meetings and shall meet whenever necessary but at least every 3 months [3, Article 38 paragraph (3)]. The mechanism established by law for the management of consumer co-operatives and their territorial unions is quite complicated and does not meet the actual needs. It is necessary to change the legal framework with the purpose of:

- establishing a simple majority of the co-operative members at the general meetings for decision making;
- excluding the Administrative Council of consumer co-operatives with less than 300 members;
- extending the calling period of the Administrative Council from four times per year to two times (in case of territorial co-operative unions).

Structural organization of co-operative system in the Republic of Moldova represents interest from the point of view of consolidation and development of consumer co-operatives. According to provisions of Article 32, Law of Consumer Co-operatives [3], the consumer co-operatives may be associated in local and central territorial unions. Nowadays, consumer co-operatives' management system is structured in three levels: cooperatives - territorial units – central union, but in the conditions of Gagauz Yeri Territorial Autonomy – four levels, which is too excessive, taking into account the dimensions of our country, and implies non-justified administrative expenses. Law on Consumer Co-operatives [3] regulates very carefully the establishment and functioning of unions. Efficient and dynamic activity of consumer cooperatives dictates (imposes) the need for the optimization of its management system structure.

3. Conclusions

Based on the analysis of the national legal framework in the field, the development of consumer cooperatives in Moldova in the last two decades, the issues and challenges encountered by this sector of socio-economic importance for our national economy [11; 10, p.121], of the current internal needs of the cooperative system, the following issues can be highlighted:

- national legislation on consumer co-operatives is rather restrictive and does not provide flexibility;
- the Law on Consumer Co-operatives [3] includes excessive detailed regulations, is more like a statute than an organic law governing a distinguished sector of the national economy;
- the legislation provides multilevel hierarchy in the organization of co-operative's management system;
- existing of difficulties in regulating the consumer co-operative's ownership;
- lack of efficient mechanisms for members' motivation regarding the increase of cooperatives' patrimony and raising the efficiency of the co-operative organization activity;
- limitation of co-operative members' categories (physical and legal persons) only to members who benefit from co-operative services;
- the traditional way of organizing the co-operatives doesn't stimulate the implementation of some innovative forms and attraction of investments;
- very high level of representation to call the leading authorities of co-operatives which, in many cases, leads to "lacking behind" with the decision making process and other.

Given the above, as well as future prospects and development of the cooperative system established by the Development Programme of Consumer Co-operatives in the Republic of Moldova for 2012-2015 (approved at the XVth Congress of Consumer Co-operatives, January 27, 2012) [8], the importance of ensuring sustainable development and progress of consumer cooperatives, we consider necessary to modify the existent legislative framework, especially the Law on Consumer Co-operatives concerning:

- adjustment to civil law, review of the opportunity of a special law on consumer cooperatives;
- creating legal, favourable conditions for attracting external investments and internal ones (from co-operative members, staff);
- diversification of members' categories of co-operative organizations: member-users and non-member-users (mainly the ones who want to invest in the co-operatives' development) and elaboration of an efficient system of recompensing the investments;
- reconsidering ownership relations within consumer co-operation (which began in 1990's and hasn't finished) taking into account actual conditions and international experience. In such a way it needs to be mentioned that not any law could restrict the constitutional right of possession, usage and alienation of the property;
- optimization of co-operative's management system (reduction of organizational hierarchy and passing to the two-levels structure);
- excluding from the actual legislation the norms which foresee non-commercial character of consumer co-operative organizations, as in actual conditions it limits the economic possibilities of consumer co-operatives' enterprises and access to facilities offered to small and medium enterprises and placing them in unequal conditions with this category of competitors;
- re-evaluation and a more flexible application of principles for setting up co-operatives and diversification of their types.

In order to enhance the interest and responsibility of the members and employees of co-operative organizations to develop consumer cooperatives, improve the efficiency of this system, attract domestic and foreign investment, two – levels co-operatives (applying some elements from international practices) could be established: first level co-operatives, constituted according to classic principles by physical persons, and second level co-operatives, created by legal persons (first level co-operatives but also other interested enterprises) and physical persons (including co-operative members, staff, consumers, foreign investors, etc.). The last can participate with their contribution to the formation of social capital of the co-operative, stimulating in such a way investments in the co-operative sector. Visions on the principles of setting up these types of cooperatives are presented in previous research and publications [9, p. 205].

In this sense amendments and completions to the Law on Consumer Co-operatives are appropriate [3]:

- ✓ completing Article 20 with the following provisions: consumer cooperatives can be of two types: consumer cooperative of I degree and consumer cooperatives of II degree. Consumer cooperative of I degree is a legal entity set up by physical persons. Consumer cooperative of II degree is a legal entity established by consumer cooperatives of I degree and other physical persons and / or legal entities;
- ✓ completing Article 20 with an additional paragraph: a cooperative member may hold shares in the limit and under the statute, but may not exceed 20% of the share capital. Cumulative participation of consumer cooperatives of I degree in setting the social capital of cooperatives of II degree will be not less than 50%;
- ✓ completing Article 35 with a new paragraph: in consumer cooperatives of I degree each cooperative member is entitled to one vote irrespective of the number of shares he owns. In consumer cooperatives of II degree each cooperative member is entitled to one vote

regardless of the number of shares he owns if the constitutive act does not provide that each cooperative member to have multiple voting rights limited in proportion to its participation in the social capital of the cooperative;

- ✓ completing Article 90 with the following provisions: in consumer cooperatives of II degree shares may be submitted in the form of other goods in the civil circuit and suitable condition for use. The use of these shares is determined by the Statute.

The implementation of these actions will contribute to the development and efficient functioning of consumer co-operative system of the Republic of Moldova, its adjusting to European practices.

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