

CO-OPERATIVES: **UNIQUE ORGANISATIONS WITH SPECIFIC MISSIONS**

Co-operatives are subject to a variety of regulatory systems at national, European and international levels. Their specific nature, recognized by the Treaties and their sphere of activity in the economic and social domains, justifies any national adaptations so as to fulfil their missions to the society.

WHAT IS A CO-OPERATIVE?

"A co-operative 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 ".¹

This form of society is a member based enterprise, the financial surplus of which serves to meet needs or to achieve specific objectives. Indeed, like any other enterprises, co-operatives must be economically successful, although their objective is to meet the economic and social needs of their members and/or of the general interest².

THE DEFINING ELEMENTS:

Membership is voluntary and open: each person is free to become a member of a co-operative society, which means that they become a partner of the society. The capital of the society is variable as it can change at any time according to the entry of new members or their withdrawal. In general, the cooperative can not refuse membership to a new member who is eligible according to the category of cooperatives (consumers', users', workers'), in conformity with the non-discrimination principle.

Democratic management: the member has the right to vote according to the « one person, one vote » principle; the voting right is therefore not linked to the amount of the subscribed capital or to the amount of the transactions carried out with the enterprise. The member has the right to take part in, vote at the General Assembly and to be elected to the management body of the enterprise.

Dual nature of members: According to the mutualistic goal of cooperatives, their members are workers, providers, consumers or users. The activity and the results of the enterprise therefore imply a substantially different management model from the other forms of enterprise.

Restricted dividend rate: Even if the objective is not to make profit for the members the cooperative has to make a surplus in order to meet its objective as defined above.. The payment of a part of the operating surplus, under the form of return on capital, in limited proportions and under restrictive conditions can however be made to the members.

¹ Statement on the Co-operative identity adopted in 1995 during the Congress of the International Co-operative Alliance in Manchester and included in ILO Recommendation 193 on the promotion of Cooperatives.

² Art 1 Rules of the European Co-operative Society

Obligation to constitute reserves: beyond the legal obligations that concern all kinds of enterprise, co-operatives must accumulate reserves to ensure the achievement of their objectives.

Indivisible reserves: the reserves of the co-operative society can not be shared between the members during the activity or, in some legislation of member states, at any liquidation. The reserves aim at achieving the objectives of the society i.e. at meeting the economic and social needs of the present and future members (in keeping with the intergenerational nature of the co-operatives) and/or of the general interest. Moreover, as these societies have a capital which is not permanently invested in the business, then the indivisible reserves guarantee a stability of the co-operative shareholders' equity. Should member withdraw from the co-operatives, he/she will receive only the nominal value of their equity share capital and will not benefit from any subsequent added value

Benefits to members in proportion to their transaction with the cooperatives (ristourne): the operating surplus can only be allocated to each member in proportion to the activities he/she has had with the co-operative; this shows the mutual characteristic of the co-operative.

From these operating principles follow normative systems for co-operatives, which therefore answer to the logic of the co-operative system. This mainly concerns corporate governance and taxation systems.

THE ADDED VALUE:

As recognized by the European Commission³, Co-operatives contribute to the social and economic development of society by virtue of their own specificities.

Co-operatives meet the economic and social needs of its members who could not otherwise have access to certain services without this form of society. The co-operative model also meets society's needs through the development of actions in various fields (education, information, environment, citizenship). It is also inclined to meet the needs of future generations.

The fact that they are not able to be 'taken-over' is a favourable factor to maintain the know-how of the economic activities within the regions.

The territorial base of the co-operative often determines its commitment to the environment where it develops its activity. There is identification by the co-operative with its geographical environment and the people who live there and as such they are not then subject to relocation which shows a true expression of social responsibility by the co-operative.

THE REASONS FOR A SPECIFIC SYSTEM:

Each co-operative has a peculiar mutualistic economic purpose and as a rule it generally has transactions mainly with their members.

Because of the indivisible characteristic of the reserves and of the democratic operating principles, co-operatives do not have access to the capital market or they have access to it with restrictive conditions; therefore they can not be liable to be 'taken-over'.

These economic restrictions, which are established by legal instruments, need to be suitably treated so that these enterprises keep their co-operative specificity in relation to the other entrepreneurial forms.

Indeed, it is not possible to have identical rules for these forms of enterprises that are based on a working logic and on characteristics that are different. This applies to all types of co-operatives whatever their sector, their economic dimension or their geographical location. On the contrary it would be discriminatory for co-operatives to have set out for them rules that have been written for other types of enterprise.

Therefore, in countries where co-operatives have specific restrictions, the Member States can notably set up specific tax systems for the co-operatives in accordance with their own tax system.

³ Communication on the promotion of co-operative societies in Europe COM (2004) 18

This was recognized at the European level with the adoption of the Statute for the European Co-operative Society as well as the statutes of the European Society. It therefore follows that the European institutions recognize the necessity to have different rules for different types of enterprise. This guarantees the plurality principle of the different forms of entrepreneurship.

This recognition applies at an international level through the ILO⁴ and at the Member States level that are free to define their corporate and ownership systems.

IN CONCLUSION:

Co-operatives have diverse normative frameworks at national, European and international levels. This is not an exception; it is the recognition of a specific identity that can not be compared to other forms of enterprise.

With regard to this specific identity, the Member States - in the fields recognized by the Treaties, can therefore enact particular clauses for co-operative societies and take into account any particular constraints (if not all to the same degree) that co-operatives may have.

Co-operatives in the EU:
231,000 enterprises
120 million members
4,6 million jobs

⁴ R 193. Recommendation concerning the promotion of the co-operatives through the 90th session of the International Labour Conference on 20th June 2002.