

Studies and Reports

Twenty-fifth in the series

CO-OPERATIVES IN EASTERN & CENTRAL EUROPE

Bulgaria

by Professor Dionysos Mavrogiannis

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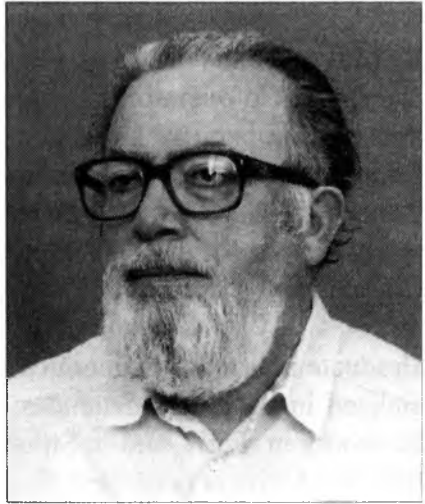
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1 Main Characteristics

Throughout the 18th and 19th centuries pre-co-operative groups and associations were the vehicle of economic and social action in all the Balkan countries. The producers' associations of Bulgaria and Romania, the self-governed municipalities of Greece and the collective agricultural units of the patriarchal family of Slavs of the South, provided the social, economic and administrative framework for the emergence and functioning of pre-co-operative organisations. Their activities covered not only the primary sector of the economy such as agriculture, fishing and cattle breeding but also the more advanced enterprises of maritime trade, and trade in cloth and cotton yarn exported to markets in Central Europe and Russia.

The poor and landless of the Balkans made use of group action to protect themselves against the adverse conditions they experienced under the Ottoman empire, and to improve their economic circumstances, thus preparing the path for political independence.

Groups formed for the collective ownership and cultivation of land, for cattle-breeding, fishing, shared ownership of shipping and participatory forms of work, and itinerant teams of qualified weavers, masons and craftsmen, were some associative forms witnessed in the region's pre-capitalist economy. Their activity was facilitated by the mobility of the population within the Balkan countries and the raw materials produced, manufactured and sold within the region and in the neighbouring markets through the gates of Vienna, Budapest, Leipzig, Odessa, Trieste, Marseilles and Alexandria.

However, modern co-operative development in Bulgaria, and in neighbouring countries, did not evolve from these forms of action. This was mainly due to political, cultural and economic factors common to all Balkan countries during and immediately after the disintegration of the Ottoman and the Austro-Hungarian empires. The Balkan countries were

slowly but deeply penetrated by the cultural models and values of Western Europe. Domestic economic and social groups and associations were considered retro-active and, as such, they were neglected, and progressively abandoned.

Co-operative models, therefore, were introduced from various countries, mostly the Raiffeisen credit system, the French workers' production co-operatives and the English consumer societies. Enlightened individuals, political leaders and social activists facilitated such a process during the 19th and early 20th centuries.

1.1 Brief history (1890-1944)

Until 1944, co-operative societies were created voluntarily and functioned as independent organisations in most sectors of the economy: agriculture, credit, trade, industry, forestry, fishing and the service sector.

1.1.1 Rural credit co-operatives

The first rural credit co-operative was established in the village of Mirkovo in Sofia, as early as 1890, under the name of Oralo (Plough). This co-operative was organised according to the model of the Raiffeisen credit system. It provided saving and credit services for individual farmers. The need for such co-operative action was dictated by the bad conditions prevailing in the agricultural sector: difficult financial conditions, problems in capital formation, exorbitant interest rates for loans obtained from money-lenders, and scattered patterns of land ownership.

The Mirkovo co-operative was founded by 103 members with an initial capital of 218 levas. Following this, the development of rural credit co-operatives was rapid and impressive:

Table 1: Growth of rural credit co-ops

Year	Primary co-ops	Membership
1890	1	103
1900	3	163
1910	576	39,561
1924	1,024	103,813
1946	2,455	480,209

Source: Central Co-operative Union

Regional unions also started functioning in 1907 (in the city of Thirpan). By 1920 their number had increased to eleven, and by 1946 there were 53, with 2,455 member societies of 527 million levas as share capital.

1.1.2 Urban credit co-operatives (popular banks)

The first popular bank was created in Sofia in 1903 with 33 members. There were seventeen by 1910, and 156 by 1925. In 1946, 243 popular banks had 351,041 members and 2,333 billion levas as share capital. They established their first Union in 1915, in Sofia. In 1942, the Unions created the General Union of Popular Banks.

In the field of saving, credit and banking activities other types of co-operatives and associations were functioning in parallel, mostly in the form of Mutual Aid Funds and organisations involved in the construction and development of independent professions and trade.

1.1.3 Consumer co-operatives

These were introduced from Western Europe at the end of the nineteenth century. Their activity was concentrated in the urban centres

because the rural areas were served by shops and services organised and managed by rural credit co-operatives. Later on, consumer co-operatives were also established in the rural sector. The first eight pioneer consumer co-operatives to make an impact on the social history of Bulgaria were:

- the “Bread” consumer co-operative, Barna, 1898;
- the “Worker” consumer co-operative, Yambol, 1899;
- the “Worker” workers’ consumer co-operative, Plovdiv, 1899;
- the consumer co-operative of Samokov, 1900;
- the “Fraternal Labour” consumer co-operative, Sofia, 1902;
- the “Solidarity” students’ consumer co-operative, Trade College of Svishtov, 1902;
- the “Brotherhood” consumer co-operative, Yambol, 1903; and
- the “Forward” consumer co-operative, Sofia, 1903.

The development of consumer co-operatives increased considerably over the decades:

Year	Number of societies
1910	12
1920	70
1934	134
1936	192
1946	180

By 1946, consumer co-operatives had 152,000 members and one fifth of the societies operated in rural areas.

Between 1919 and 1946, the “Forward” and “Fraternal labour” primary consumer societies of Sofia became the apex organisations, to which two-thirds of the existing organisations were affiliated. In 1945,

they merged to form one union, under which were organised 908 shops with 112 million levass of share capital and an annual turnover of seven billion.

The Bulgarian consumer societies joined the ICA in 1903.

1.1.4 Producers' and workers' co-operatives

Various forms of production workers' associations were developed throughout Bulgaria from 1895 onwards. The earliest were the handicraft and workers' co-operatives. In 1918 there were 41 such small societies with 264 members, in 1930 the number of societies had increased to 754, and in 1946 there were 625 with 18,292 workers carrying out tailoring, carpentry, shoemaking, metalwork and other similar activities.

1.1.5 Forestry co-operatives

Two types of forestry co-operatives were developed. The first, started in 1915, were workers' forestry co-operatives. In 1946, 280 such co-operatives were functioning in State forests, employing some 44,038 worker-members. The second, started in 1932, were co-operatives of forest owners. In 1946 there were 24 of these co-operatives, with 4,960 members.

Primary forestry co-operatives were organised in regional unions from 1921 onwards. In 1922 the National Forestry Co-operative Union was created, and 14 regional unions were affiliated to it by 1945.

1.1.6 Agricultural production co-operatives

Between 1930 and 1945, a new form of agricultural co-operative was established: the production co-operative. Some of these were new in-

dependent co-operatives (46 in 1946), but most of them functioned as specialised sections of the existing rural credit co-operatives (462 in 1946). Together both types of production co-operatives were involved in the cultivation of 4% of the country's farming land (some 180,000 hectares). All types of agricultural co-operatives are included in the category of rural credit co-operatives listed in Tables 2 and 3.

Wine growers created their first co-operative in Pomorie in 1898. In 1929, there were 34 wine co-operatives with 3,529 members and ten million levas of share capital. In 1933, the Head Office of Wine Co-operatives was created, to which were affiliated the primary societies (44 in 1946 with 16,792 members and 42,476 million levas of share capital).

Tobacco co-operatives started in 1915. They were involved in the production and selling of a significant part of the national production. In 1923, there were 34 tobacco co-operatives. In 1924, the first Regional Union of Tobacco Co-operatives was established, and in the following year a second regional union was created. In 1939, these merged to form the Union of Tobacco Co-operatives of Bulgaria. In 1946, 23 primary co-operatives, with 64,487 members, were in operation.

Dairy co-operatives started in 1903. In 1946, 44 such dairies and cattle-breeding co-operatives with 4,726 members were processing 80% of the milk produced in the country.

Sericultural co-operatives appeared as early as 1899. In 1946, there were eleven large primary co-operatives, plus 174 sericultural and silk-worm breeding sections within rural credit co-operatives.

Fish merchandising co-operatives were involved in the sale of fresh fish from the Black Sea. In 1935, a Head Office was created for these co-operatives. In 1946, there were 31 such societies, with 2,492 members.

Other co-operatives were involved in various economic and social activities such as poultry-breeding, housing, health, insurance, water supply, and electrical services.

Tables 2 and 3 summarise the data concerning this period. In 1918, there were 994 co-operatives, while in 1946, 4,603 societies, with 1,430,000 members and 4,906 billion levas of share capital, operated throughout the country.

Table 2: Types and number of co-operatives (1918)

Type	Number	%
Credit	790	79.5
of which: rural credit	738	74.3
popular banks	43	4.3
other	9	0.9
Consumer	79	8.0
Production	41	4.1
Insurance	28	2.8
Supply, trade & manufacturing	39	3.9
Miscellaneous	11	1.1
National and regional unions and head offices	6	0.6
TOTAL	994	100.0
of which: urban	181	18.2
rural	813	81.8

Source: Central Co-operative Union

Table 3: Types and number of co-operatives (1946)

Type	Number	%
Credit	2,775	60.27
of which: rural credit	2,455	53.33
popular banks	243	5.27
other	77	1.67
Consumer	180	3.91
Production	625	13.57
Forestry co-ops	304	6.60
Supply, trade, processing and fish	391	8.49
Miscellaneous	245	5.40
National and regional unions and head offices	83	1.80
TOTAL:	4,603	100.04

Source: Central Co-operative Union

In conclusion, the following should be emphasised:

- Co-operative development started as a bottom-up movement according to the needs felt by the primary societies. Head Offices, Regional Unions (secondary organisations) and National Unions (tertiary organisations) were created progressively by the local co-operatives and then by the unions.
- Membership, administration and management of all co-operative societies were based on the international democratic values, principles and practices of the Western Europe co-operative movements.
- Some of the rural credit co-operatives progressively diversified and increased their activities to such an extent that they effectively became multi-purpose societies.

The legal framework established by constitutional provisions, laws and decrees adopted and applied throughout this period, created favourable conditions for the progress of the co-operative movement. (Annex 2 gives a list of the main constitutional and legal texts concerning co-operatives from 1879 onwards.) Although there are no data available to quantify the effects and economic results of the co-operative action for the whole period under consideration, it can, however, be suggested that the Bulgarian co-operative movement contributed to the smooth and ongoing development of the agricultural sector and had a direct and positive impact on the life and working conditions of farmers, workers, producers and consumers.

1.2 Co-operatives in the centrally-planned economy (1946-1989)

During the first five years of the country's Socialist regime (1944-1948) nationalisation of the industrial sector and banking activities took place. Land collectivisation followed, first on a voluntary basis and then as an obligatory movement. In this new context, the role of co-operatives was considerably strengthened. The number of co-operatives increased by 50% in comparison with the past years. One particular phenomenon of the new situation was the development of the so-called agricultural production "co-operatives" (collective farms) based on pooled land of their members. Political leaders such as Georgy Dimitrov had for years urged the low income population (small farmers and landless workers) to embrace Socialist co-operatives alongside with Lenin's principles and proposals, according to which co-operatives were seen as a means of accelerating the transition from capitalist economy to Communist society. Poverty and the miserable living conditions of small farmers and farm labourers contributed to the success of collective forms of agriculture.

1.2.1 Co-operative development

As from 1951, all types of co-operative organisations were integrated and consolidated in three main branches: consumer societies, hand-craft and workers' co-operatives and agricultural production co-operatives (collective farms).

1.2.1.1 Consumer co-operatives

Consumer co-operatives were strengthened in terms of members. They diversified their activities, embracing almost all activities involving the production and sale of goods and services to the population. In 1958, there were 1,770 large primary societies with activities throughout the rural areas of the country; 53 other societies were very active in the urban sector. Additionally, there were 93 Unions at the regional level, and the Central Co-operative Union (CCU) acted at the national level from 1947 onwards.

During that period, 20% of the total population of Bulgaria (1.6 million out of 7.6 million) belonged to the consumer societies. The structure of the CCU as well as the number of the primary and secondary organisations, changed many times, becoming stronger and ensuring more and better services. In this respect, the CCU incorporated the Central Union of Producers' and Workers' Co-operatives between 1971 and 1988 and mergers resulted in the reduction of the number of regional unions. Some of the State trade activities lost ground to consumer societies and the evolution of the consumer co-operative system is significant in this matter. Its turnover was only 10% of the national trade turnover in 1939. By 1947 the percentage reached 33.5% and in 1957 it was almost half of the national turnover.

Table 4 shows the evolution of the main activities of consumer societies between 1955 and 1985. With the exception of distilleries, all the

trade networks, shops, restaurants and bakeries doubled in number during this period. Confectionery workshops increased by 50%. Consumer societies also made appropriate agreements with collective farms for the purchase and sale of fresh and processed agricultural products. Thus the consumer societies played a wide and vitally important role in the production and distribution of food, soft drinks and other basic necessities to the people.

Table 4: Economic activities of consumer co-operatives

Activities	Numbers			
	1955	1965	1975	1985
Trade network, shops	10,842	13,914	18,099	19,988
Restaurants and other places	5,568	7,828	9,657	12,315
Bakeries	991	2,055	1,913	1,694
Distilleries of alcohol	2,500	2,570	3,502	1,624
Confectionery workshops	*	242	169	341

Source : Central Co-operative Union

* No data available

Autonomy and democratic management within consumer societies suffered heavily during the years of the centrally-planned economy. In fact, the planning of their activities and pricing system were managed as part of the Socialist system. The organisations' structure, with large primary societies, weak unions and an oversized and monopolistic national union, militated against democracy and control by the members. State interference and the Party's direct involvement in the day-to-day administration and management completely distorted the functioning of the consumer co-operative system.

1.2.1.2 Agricultural production co-operatives (collective farms)

The spontaneous popular movement in favour of such types of co-operative action was inspired by the Soviet model of collective farming. During the first years of the Socialist regime private land ownership was maintained despite collective cultivation. However, under State pressure, and with the Party's support, collectivisation progressively increased until it became the exclusive form of farming.

Certainly, collective farms had various advantages in the beginning: better cultivation of land, better exploitation of equipment and processing activities. Economic and social benefits for the member-workers were increased, too. They were able to benefit from more inputs, extension services and applied agronomic sciences. Whereas in 1944, there were only 28 collective farms with 1,677 members and 4,032 hectares of cultivated land, by 1947 their number had increased to 543, with 48,827 members and 183,740 hectares. By the end of the 1950s, 3,290 collective farms were cultivating a total of 3,793 million hectares of land. For the purposes of rationalisation, this farming system was re-organised and centralised in 1960. The existing collective farms were reduced to 932 by means of mergers to form units approximately three times the size of the old co-operatives (4,266 hectares each). In 1970, their number was further reduced to 744, with an average size of 4,395 hectares.

In parallel, from 1955 State farming was organised on a limited basis. In 1957 there were 49 State farms, cultivating only 4.8% of the arable land. In 1970 this increased to 156 farms, responsible for 16.3% of the cultivated land.

The ultimate form of collective farming experienced in Bulgaria came with the formation of the agro-industrial complexes from 1970 onwards. This organisational structure, imposed from above by the State and the Party, forced the State and collective farms to pool together their land

and means of production and form a new farming system , the agro-industrial complexes. The average amount of land cultivated by each complex was 27,000 hectares (4,330 million hectares in total). Some of these were enormous production and socio-economic networks and settlements, such as that in the region of Plovdiv, where some 80,000 persons were involved in the cultivation of 50,000 hectares and the running of important industrial processing factories. Almost 95% of the cultivated land was in hands of the agro-industrial complexes pooling horizontally and vertically in two groups, State and collective farms, all the agricultural activity and social life of rural areas.

The objective of this was to bring the industrial and agricultural sectors closer together, with a view to abolishing the traditional inferiority of the rural workers and of rural society as a whole, compared with the industrial sector and urban living conditions. According to the political thinking of the leaders of that period, the co-operative form of action and the role of trade unions could, and should, join forces to ensure the success of Socialism.

1.2.1.3 Handicraft and workers' co-operatives

These lost their importance and social function in the context of the new system which, where co-operative action was concerned, favoured collective farms and consumer co-operative societies. Their area of operation was directed towards handicraft production and repairs.

In 1951 the National Union of Craftsmen and Producers' Co-operatives was established. In 1953 the reference to crafts was deleted and this apex organisation became the Central Union of Workers' and Producers' co-operatives. In 1971 it merged with the Central Co-operative Union of Consumer Societies. In 1988, however, the two Unions separated again, and each organised its own programme of activities. The situation of workers' and producers' co-operatives was shaped by the

State, which reduced their number and decreased the scale of their activities. They played a complementary economic role, securing their survival by virtue of their social function in providing day-to-day services to the population. The State did not favour their development, and even opposed any promotion of their role within the Socialist economy. The growth of the State enterprises and the extension of the collective farms absorbed part of their activities. At the end of the period under consideration only 110 primary co-operatives and 40 co-operatives of handicapped workers, with a membership of 63,000 were in operation. Their annual turnover amounted to 639 million levas. The Socialist taxation system resulted in 67% of the workers' and producers' co-operatives' net income being taken away in the form of taxes and other contributions: 50% to the State budget, 10% to the local councils, 5% to the Labour Insurance Fund and 2% to the Amelioration Fund. The remaining 37% was distributed as follows:

- wages for member-workers, plus occasional bonuses;
- dividends distributed to members according to their shareholding and productivity;
- interest paid on loans and working capital;
- insurance premiums for co-operative property;
- the development fund (1 to 2% of net income);
- funding for social and cultural activities.

Table 5 indicates production, productivity, expenses and taxes and other related figures for 1989.

Table 5: Main indices of workers' and producers' co-operatives for 1989

Description	Amount (thousands of levas)
Output	639,032
Industrial commodities	626,388
Total industrial production	644,558
Home market commodities	292,002
Public services and utilities	77,981
Commercial cost	515,887
Commercial cost per 100,000 levas	80.73
Material expenses	34,022
Material and other expenses per 100,000 levas	53.52
Depreciation	17,220
Net production	331,911
Total income	159,998
Tax on turnover	38,237
General labour productivity	5,271
Productivity per capita (based on output figure above)	10,148
Number of member workers and employees	62,966
Average salary per member	2,460

1.2.2 Assessment of the situation

Even those co-operatives, old and new, which managed to survive during the Socialist regime, have experienced considerable losses. At the end of the period under consideration, agricultural production "co-op-

eratives” and their complexes proved to have been a disaster. This was not only disastrous for agricultural production: rural society based on the village structure and the self-governed municipal system, were destroyed. The tradition of solidarity and spontaneous mutual aid also disappeared. Former private farmers, workers and technicians worked hard to boost production, which the State had transferred from the rural sector into the urban one. In Bulgaria, more than in any other Socialist country within Europe, agricultural revenue from the rural sector was utilised to support the State budget by reducing direct taxation and bringing foreign currency into the country through the export of processed agricultural products (tobacco, wine etc).

Evidence of the negative impact of collective farming is seen in the distribution of agricultural income to member-workers. According to the legislation of 1945, 60% of the collective farms’ profits were to be distributed to members as wages and 40% as dividends on their pooled land. In 1950, the percentage of wages increased to 70% and that of dividends was reduced to 30%. In 1953, the respective percentages became 75% and 25%. And in 1958, immediately prior to generalised land collectivisation, more than one third of the collective farms decided to cease the distribution of dividends. Thus, progressive collectivisation and integration of collective farms into the centrally-planned economy resulted in less revenue for the member-workers.

The workers’ and producers’ co-operatives were suspect in the eyes of the regime, and therefore allowed to suffer as a result of the strong State enterprises, the omnipotent collective farms and the appetite of the consumer co-operative system. Workers’ co-operatives became, in effect, units of labour working according to regulations imposed from outside and above them, continuously watched by the Party by means of a dense and opaque administrative machinery funded by the co-operatives themselves. Their only worth was that they allowed some twelve thousand artisans and skilled workers to work and fight for survival without being completely under the domination of the authoritarian economic system and its sphere of influence.

Consumer societies, although small in number at the beginning of the Socialist regime, managed to spread throughout the whole country and to become indispensable from an economic and social point of view by taking advantage of the shortage of consumer goods and the weakness of the State trade system. They absorbed some 15 national unions of various types of co-operatives, most of which were integrated, at the local level, with State enterprise, collective farms and consumer societies. In practical terms, the Central Co-operative Union became a unique monolithic apex organisation with the capacity to plan and act from the top downwards. In place of activities taken away from it by the State, new areas came under the control of the consumer societies, which employed more than 60,000 people.

However, a series of advantages have to be recognised in the Bulgarian consumer co-operative system. First, they defended their system and role much better than consumer co-operatives in some other Socialist countries of Europe (e.g. in the USSR, where consumer co-operatives were limited to the rural areas from 1930 onwards). Secondly, they produced part of the goods sold in their shops, thus avoiding dependence on State enterprises. And thirdly, they used their profits to finance an independent educational system which supplied them with the managers and professional staff they needed. Fourthly, they avoided total extinction and managed to save part of their traditional co-operative spirit by making use of their international collaboration and membership of the International Co-operative Alliance.

2 Transition to the Market Economy (1989-1993)

Governmental policy on restructuring and privatising the economy officially started in 1990. This had a direct impact on the co-operative sector. Co-operative societies, both old (restructured in accordance with the Law of 1991) and new (having emerged during the last five years), currently contribute to the implementation of the privatisation policy. Their democratic values and principles lead to self-sufficiency in food, income-generating activities and social justice. Thus, co-operatives should not be looked upon as the passive result of the privatisation policy. As part of the economic pluralism, they also participate in the implementation of market conditions at all levels.

2.1 Privatisation policy

The privatisation policy and its subsequent implementation, begun in 1989, aimed firstly at dismantling State and municipal enterprises, means of production and land, and secondly at establishing a market economy.

Arguments in favour of privatisation were already to be found in 1987. Based on the economic revival plan decided by the 13th Congress of the Communist Party in 1986, the Council of Ministers issued regulations on private individual business and co-operative activities the following year. A special ordinance permitted 35 co-operatives, old and new, to undertake a wide range of economic activities. Public authorities were directed to support and promote such businesses, particularly those conducted by pensioners, students, women and handicapped people. No hired labour was permitted to be employed for such activities. This opening of the Bulgarian authorities to a limited market economy is a reminder of the Soviet perestroika started by Gorbachev at that time.

Later on, reconstruction of the economy began with the passing of Decree 56 of January 1989, regulating economic activity. A special team handling questions of small individual and private forms of entrepreneurship was created for this purpose in the Ministry of Economy. During the same year, Decree 922 introduced the dismantling of the agro-industrial complexes which had been in operation for almost 20 years under the National Agrarian Union, which the Ministry of Agriculture was then called.

Consequently, a great number of small shops, restaurants and the like sprung up throughout the country, as a movement of spontaneous private business and property. In contrast, several associations and co-operatives working in the areas of food production and sales were also established during this period. These co-operative type organisations have not yet fully assimilated co-operative values and principles, and are thus known as “wild” co-operatives.

The political changes which began in 1989 opened the door to the official restructuring and privatisation of the economy through an adequate legislative policy and texts aiming merely at:

- creating an institutional framework of economic pluralism including single traders, commercial firms, co-operative societies and banking activities;
- facilitating the restitution of State and municipal enterprises and land;
- privatising State and municipal enterprises and property;
- encouraging and protecting foreign investments.

The economic and financial situation of the country, which worsened in 1990-1992, sped up the process of privatisation. Industrial production fell by 13% in 1990 and by 27% in 1991, while inflation rose rapidly. In 1992, industrial output fell by 55% in comparison with that

of 1990. The export trade to the former COMECON countries decreased by 60% and to other countries by 25%. In 1991, half of the country's State enterprises were functioning at less than 60% of their previous capacity.

The structure of large enterprises affected by the significant decrease in productivity and job losses are shown in Table 6.

Table 6: State enterprises and employment levels in 1990

Number of workers	Number of enterprises
Less than 10	25
11-30	120
31-50	162
51-80	274
81-140	343
141-200	287
201-500	744
501-1,000	388
1,001-2,000	207
2,001-3,000	70
3,001-5,000	27
5,001-10,000	9
Over 10,000	4

Source: National Statistics Institute

The available data indicate that the number of workers employed in the State sector fell from 3.7 million to 3 million in 1991. In 1992, unemployment benefits amounting to 44 million US dollars were paid to 700,000 redundant workers. The crucial questions of price liberalisation (the price of some 90% of goods and services was liberalised at the beginning of 1991), high inflation, wage fluctuations, high rates of taxa-

tion, external debts, lack of foreign currency and other related problems were the object of a reform programme introduced in 1991 with the approval and assistance of the International Monetary Fund.

Foreign investments in the form of joint ventures had grown up slowly by that time. In 1991 approximately 80 million US dollars of foreign capital was invested in some 240 joint ventures.

The participation of foreigners in the privatisation process is encouraged through public sales of State assets and securities. Foreign citizens and legal bodies are governed by the same legal texts as Bulgarian persons and legal entities, and also by the specific provisions of the Law on the Economic Activity of Foreign Persons and Protection of Foreign Investments (the Foreign Activity Law) of 1992.

There were more than 210,000 small private enterprises in 1992 and the number of full-time employees was estimated to be around 400,000. A much higher number of part-time employees is hidden for taxation and other social reasons (e.g. those simultaneously claiming unemployment benefits).

All actors within the privatised economy are classified as “merchants” and “non-merchants”. Merchants are physical and legal entities participating in business and profit-oriented activities. They are individuals, various forms of partnership, limited liability and joint-stock companies registered in the commercial register. They are governed by the provisions of the Commercial Code adopted in May 1991.

Co-operatives are classified as “merchants” (except the housing co-operatives), but their constitution, functioning and activities are regulated by the special provisions of the Co-operative Law of July 1991.

“Non-merchants” are all producers and workers engaged in farming, handicrafts and various professions as well as the self-employed. Thus the members of workers’ production co-operatives and agricultural co-

operatives are not considered to be “merchants”. Banking institutions and insurance companies must be organised either as joint-stock companies or as co-operatives.

By June 1993, 30,772 small enterprises and properties of the 54,426 claimed, nationalised or confiscated by the State, municipal councils and other State bodies, had been returned to their previous owners or their heirs. The percentage of the above enterprises and property already returned to the former owners varies between 43.4% and 90.9% according to each category (see table 7). Restitution is differently implemented from one region of the country to the next.

The most important State enterprises facing difficulties with privatisation are the big industrial complexes. As yet, only a few have been sold. Unconfirmed sources put the figure at 2% (including the Razrad pharmaceutical plant, financed with the help of Belgian investors).

The privatisation law of May 1992 created the Privatisation Agency. This is governed by a supervisory board of eleven members appointed by the Council of Ministers and the National Assembly, and managed by an appointed executive director. The activities of the agency are financed through the State budget. The agency prepares privatisation programmes in the form of annual targets, lists of enterprises to be privatised and guidelines for the privatisation process. The programmes are then approved by the Council of Ministers. The agency, staffed by legal, administrative and technical personnel, is still in the process of organisation. Some eleven regional offices are to be established in the country's main urban centres. The privatisation of municipal assets is handled by the municipal councils.

The implementation of the privatisation process is centralised at present, which is both costly and time consuming. The value of the assets concerned, mechanics of sale by public tender, and issues concerning employees, are some of the difficult problems which face the inexperi-

enced administrators. Foreign investments from abroad are very rare, although Greece, Germany and other members of the EU (European Union, formerly the European Economic Community) are showing some interest in investing in some of the smaller enterprises.

Table 7: Restitution of small enterprises (end of June 1993)

Category	Claimed	Redistributed	%
Total	54,426	30,772	56.5
Shops	9,003	7,452	82.8
Restaurants	161	134	83.2
Pharmacies	77	70	90.9
Hotels/guest houses	286	150	52.4
Car stations	11	5	45.5
Garages	143	82	57.3
Waterhouses	1,201	882	73.4
Administrative buildings	511	402	78.7
School buildings	56	25	44.6
Hospitals	164	122	74.4
Children's centres	207	176	85.0
Cultural centres	368	203	55.2
Apartments	11,484	6,775	59.0
Mills	1,059	713	67.3
Other establishments	159	109	68.6
Dairies	41	26	63.4
Workshops	218	158	72.5
Other industrial units	1,563	1,010	64.6
Sport centres	84	58	69.0
Grounds and courts	25,536	11,090	43.4
Miscellaneous	2,094	1,130	54.0

Source : TRUD (=Labour) Newspaper of 15/9/1993

With regard to the land reforms, a legal framework setting out the necessary policy guidelines, has been adopted. This consists of the Law on Ownership and use of Farm Land, passed in February 1991 and since amended, and the Rules of Application issued in April 1991, together with their amendments. The Government is watching the process of implementation closely. Difficulties, therefore, are limited to technical issues, mainly related to the allocation of land to its previous owners or to their heirs. The financial cost of the endeavour is funded by the State budget, and it is estimated that the restitution costs will amount to three billion levas. All claims and settlement of disputes, at all levels, are free of charge for the people concerned.

According to the Ministry of Agriculture, 25 to 30% of the collectivised land for which claims had been registered had been returned by the end of 1993. Another one or two years will be necessary for the completion of this huge technical and legal undertaking. At the national level, the Ministry of Agriculture (Department of Land Reform) is planning and implementing the land reform. At the local level, municipal commissions undergo the day-to-day work, collecting claims (declarations), studying them and deciding upon their validity. Appeals against their decisions may be made to the court.

Land seized by the State farming system is returned to:

- the previous owners or their heirs (Article 10, paragraph 1);
- co-operatives, such as the consumer societies, whose cultivated land was seized after 1944 (Article 29);
- municipalities which owned seized land and have not been compensated for its loss (Article 25, paragraph 2);
- current and retired member-workers of the collective farms are also entitled to compensation (Article 27);
- private individuals are allocated other land belonging to the State and municipalities free of charge (Article 26).

Any other land which is not handed over to those listed above remains in the hands of the State (Article 24, paragraph 1). All agricultural land

which is not that owned by private individuals, legal entities or the State shall be municipal property (Article 25, paragraph 1).

Article 8 recognises the right of the new private land owners to unite in co-operatives and associations for the joint cultivation of agricultural land.

A comparison between the policies concerning, on the one hand, the privatisation of State and municipal enterprises and property and, on the other, land reforms should result in the following conclusions:

- At the policy level, the one concerning land reform has clear and well-defined objectives. The privatisation policy, in practical terms, does not go beyond the current year;
- The policy of land reform is the result of a national consensus of all the social partners involved. Such a consensus seems to be missing in the case of privatisation policy;
- The implementation of land reform is mainly in hands of the local authorities. Reallocation of scattered land property is being undertaken by technicians from the Ministry of Agriculture. Implementation of the privatisation policy is highly centralised;
- Land reform can be performed within the State budget. The privatisation process depends on foreign investment, which is not currently forthcoming;
- The privatisation policy gives little consideration to the views of trade unions belonging to workers employed in the State and municipal enterprises, and their participation in the sale of these units. According to Article 31 of the 1992 Privatisation Law, 30% of the employees can bid in the auction of the State and municipal enterprises and obtain up to 20% of the shares of the privatised

enterprises, the value of which is estimated at over ten million levas. The employee scheme adopted by the Law provides for a discount, set at a 50% in case of an employee buy out, to be repaid in instalments from one year's salaries. No voting rights are allowed, however, at least for the first year. The Law also provides for the use of a part of the sale proceeds for social and developmental purposes. The Law missed the opportunity to include former workers in the privatisation of State and municipal enterprises in the form of employee-owned private enterprises, organised in co-operative type and participatory ventures, whose management and labour would be in charge of the member-employees.

The law on land reform does not limit the rights of former workers to claim against the assets of the collective farms (Article 27). Similar provisions in transitional clause 8 of the Law on Co-operatives guarantee the rights of employees of farming organisations under reorganisation.

2.2 Co-operatives under restructuring and privatisation

The radical changes of 1989 created a serious identity crisis regarding the definition and role of Bulgarian co-operatives in the context of the market economy. Confusion among the population and some of the liberal political leaders who came to power during 1990 and 1991, contributed to the perception of co-operatives as an integral part of the Socialist economic system. Taking advantage of the general embarrassment about State domination of collective farms and other types of co-operatives, the Government attempted to enforce the obligatory distribution of co-operatives' property to their members. Existing co-operative property, at the level of the consumer societies' unions, was perceived to be similar to that held by the State and municipal councils.

Co-operative leaders, assisted in their difficult task by the advisory services of the ICA and the ILO, managed not only to extinguish such erroneous views about the past role of co-operatives but also to counter the adverse political views. Finally, the new policy adopted special legislative texts which confirm the private nature of co-operative societies. Such a legal framework favoured the restructuring of existing co-operative societies. The privatisation process and land reform, on the other hand, gave the signal, and the opportunity, for the emergence of new co-operatives.

2.2.1 Spontaneous restructuring

As from 1987, the co-operative movement as a whole felt the need to proceed to various reforms and improvements regarding economic, financial and educational structures.

The creation, between 1987 and 1990, of a private individual and commercial sector had a double impact on existing co-operatives. Consumer co-operatives gave up a certain number of co-operative shops with the objective of getting rid of the less productive part of their retail system. These shops were sold or rented. It is now planned that the latter are to be reintegrated in the CCU system. The CCU started also rationalising its administrative staff, reducing their number by 80%. New consumer, handicraft and production co-operatives were formed. In 1988, although the legal basis for individual business and self-employment was still narrow, the Union of Workers' and Producers' Co-operatives was revived. Subsequently, the Union claimed separation from the consumer co-operative system and autonomy from the State.

The most important institutional event in 1990 was the creation of a Department for Co-operative Management and Business at the University of Sofia, with provincial branches, and a Co-operative College. These two new, third and fourth level educational institutions completed the existing training system financed by the consumer societies: two higher co-operative centres and twelve professional schools.

In early 1990, the CCU laid down a policy programme breaking its previous links with the State and taking decisive steps towards restructuring and privatisation. The 10th Congress of the CCU held in Sofia immediately after the political changes (1990) largely concentrated on the ways in which the transformation and privatisation of the consumer co-operative system could be merged.

The Resolution of the Congress supported all the democratic changes under way and focused its task on restructuring co-operative societies by reviving the co-operative values and principles:

- “the deep processes of restructuring and democratisation of Socialist society and the establishment of a democratic Bulgarian State create the conditions for rapid development of the co-operative movement. Bulgarian co-operators support all democratic changes within society and are resolved to work towards ending the economic crisis”;
- “the primary task now is to restructure the co-operative system and revive the co-operative values and principles”.

The Recommendations of the Congress addressed everyone within the co-operative movement (members, managers, executives, staff and workers), and further highlighted and defined in 17 points the main areas of intervention and objectives of structural, organisational, economic and social changes of the system:

1. **Revival of co-operative values and principles** and condemnation of previous departures from these due to State interference. In the future, elected bodies and members should be honest and open and devoted to the co-operative cause, and elected bodies should report regularly to the members. Equality of rights and obligations of members should be restored;

2. **The vertical structure** should be completed from the bottom up-wards according to the needs of the primary societies which, represented by delegates to the union's General Assembly, should be the owners of their union's assets;
3. **The role of the CCU** should be redefined in the interest of the member-societies;
4. **Co-operative property** should be guaranteed as one of the forms of private property. New bylaws should be adopted covering co-operative principles, property, shareholding and distribution of profits according to the amount of shares, work undertaken and the volume of transactions. New activities, such as saving and credit, should be undertaken. This should result in a larger system of co-operative banking operations;
5. **The relationship between co-operatives and the State** should be redefined on the basis of separation and mutual autonomy. Income and profits realised by co-operatives should belong, after payment of taxes, to the co-operatives;
6. **A broad programme of social services**, including health, housing, sport and recreation, social tourism, safety at work and mutual insurance, should be implemented for the benefit of the members and workers;
7. **Modernisation of the information system** by microcomputer technology should be implemented, providing for the better information of member societies on topics such as accounting, statistics and co-operative activities;
8. **Independence of every co-operative's management** from interference by the unions. The management of the member-societies should be ensured by its own elected bodies without interference from the higher level co-operative organisations;

9. **A legal framework** allowing restructuring should be created;
10. **Co-operative activities should be diversified and multiplied** through new productive networks;
11. **Improvement of services to the members** including new areas (supplies, repairs, leasing of equipment, agricultural products) should be sought;
12. **Business-oriented organisations** should seek to supply better quality goods and services through wholesale trade and retail outlets.

Recommendations 13 to 17 refer to various other priorities and areas of restructuring of consumer societies and to joint-ventures, co-operation between co-operatives and collaboration with the ICA.

During 1990 and 1991, before the adoption of the Co-operative Law of July 1991 referred to above, changes and improvements were implemented in most areas. The detailed restructuring programme was presented by the CCU at the ICA Seminar on the Co-operative Legislation of Central and Eastern European countries, organised in Prague in December 1990. The Report of the CCU entitled "Bulgarian Co-operation Under the New Conditions" was based on the decisions taken by the 10th Congress of March 1990 and on the progress of restructuring. The positions and proposals of the CCU, among the most complete and well-defined, were afterwards used for the elaboration of the Co-operative Law of 1991 and for the subsequent restructuring of co-operatives.

2.2.2 Co-operative policy and legislation

Approximately two years were devoted to consultations and preparatory work for the formulation of an acceptable Governmental policy on

the place and role of co-operatives in the system of economic pluralism. A national consensus was reached providing for a new general law applied to all types of co-operatives within the country, both existing and future.

In all matters controlled by the Government co-operatives enjoy full and equal rights with other company forms. The Commercial Law also states that co-operatives are traders with rights which are equal to those of the country's other economic organisations. The co-operative organisations (and the Central Co-operative Union) have a lot of official support. The leaders of the Central Co-operative Union are well accepted in all the ministries and departments, and by Members of Parliament in general. Individual ministers and Members of Parliament are helping to further the development of, and support for, the country's co-operative movement, but such support is not properly coordinated.

Regarding the essence and orientation of the new policy on co-operatives, the Constitution of July 1991 states beyond any doubt the place and role of co-operatives as part of the free economy:

Article 19, paragraph 1: The economy of Bulgaria is based on free economic initiative.

Article 19, paragraph 4: The law establishes conditions for the co-operatives and other forms of association of citizens and legal entities with regard to the achievement of economic and social progress.

Article 41, paragraph 1: provides for freedom of association.

Elaboration of the basic and general co-operative law started in early 1990. The CCU played a leading role in the preparatory work. It sought and received advisory services from the ICA and the Co-operative Branch of the International Labour Office. Several working meetings

took place in Sofia and Geneva, which permitted the Drafting Committee to take advantage of the international experience on co-operative policy and legislation. The Draft Law submitted to the Government for consideration by Parliament was the result of a compromise between the views of all parties interested in, and concerned by, the co-operative legislation. The Law adopted on 19 July 1991, is one of the country's first legislative texts providing for the restructuring and the creation of private economic institutions. The Law was largely inspired by and drafted alongside the following considerations and principles agreed by all social partners:

- the law should be a legal instrument used for economic and developmental purposes, rather than an administrative document sustaining bureaucratic mechanisms;
- it should create a favourable climate for an improved working relationship between co-operatives and the State, excluding any interference by the latter in the day-to-day management of the societies;
- it should restore legality and give legal guarantees regarding the rights of citizens to affiliate voluntarily to autonomous co-operatives, democratically managed by their elected members. Co-operative activities, services and profits should benefit their members;
- it should spell out the role of the co-operative sector in comparison with the State and private commercial sectors. This principle implies legal and actual separation of co-operatives from the State enterprises, but permits working relations based on contractual agreement. Co-operatives could therefore enjoy rights to private ownership, make their own plans, act according to free market conditions and benefit from the same facilities, guarantees and advantages available to the two other sectors of the economy;

- it should refer to co-operative values and principles accepted and respected by co-operative movements in all developed countries, periodically fixed by the ICA's Congresses and presently under review.

The Law is composed of 67 Articles, plus clauses regarding additional and transitional provisions. It was slightly amended and completed in 1992.

The new law, abrogating the previous law of 1983, is a unified and general text which applies to the constitution and functioning of all types of co-operatives, co-operative enterprises and joint ventures. Its text is published in Annex 3.

Express reference to the international co-operative principles as referred to above is made in the Explanatory Note (Exposé des Motifs) which accompanied the Draft Law.

The law provides for all issues regarding the constitution and functioning of voluntary and democratic co-operative organisations according to practices experienced in West European and North American countries.

Some provisions of the law, relating to basic topics, are cited below for ready reference and easy understanding of its orientations and features:

Article 1 defines the co-operative societies: "A co-operative shall be a voluntary organisation of physical persons with variable capital and a variable number of members, who shall engage in economic and other activity along the lines of mutual assistance and co-operation in order to meet their interests. A co-operative shall be a corporate entity".

Article 2 refers to the promotion of co-operatives by the State: "The State shall assist and promote the co-operatives through tax, lending rate, customs and other economic concessions".

Article 3 stipulates that a co-operative society must be founded by a minimum of seven physical persons.

According to **Article 4**, registration is to be made at the district court rather than at the local authorities or councils, as is the case in some other countries of Eastern Europe.

Members' rights and obligations are fixed by **Articles 10 and 11** on the basis of equality. Employment conditions concerning workers who are not members are regulated by the common law existing in this field. Co-operatives, however, should also adhere to the above legislation by means of an elected committee of social affairs (**Article 12**).

Functions of the General Assembly and elected bodies are stipulated in law (**Articles 17 to 30**).

Article 32 enumerates various sources of capital: members' subscription, share capital, additional capital from the members, business earnings, loans etc.

Article 34 relates to limited liability according to the importance of the assets of the co-operative and to the amount of the members' shares.

Article 36 imposes the annual formation of legal reserves amounting to at least 20% of the share capital. Statutory reserves can also be decided upon by the General Assembly. Both types of reserve are calculated on the basis of each year's profits.

Article 38 authorises co-operatives to organise saving and credit activities for their members.

Article 39 allows co-operatives to set-up and run mutual insurance societies for their members.

Article 48, paragraph 3 stipulates that in case of liquidation members' shares shall be reimbursed only after all other liabilities have been settled. Although it is not stated that shares would be reimbursed at their nominal value, this should be seen as the only possible response.

Article 51 provides for the disposal of the residual assets of the liquidated co-operative. These should be distributed among members in proportion to their shares, unless bylaws prescribe otherwise.

Co-operatives are allowed to proceed to the constitution or reconstruction of co-operative enterprises (**Articles 55 to 57**) the assets and profits of which will be owned by the founder co-operative. Furthermore, co-operatives can constitute inter-co-operative enterprises engaged in activities of common interest to the founder societies (**Articles 58 and 59**).

The vertical structure of the co-operative organisations is foreseen by **Articles 60 to 63**. By decision of their General Assembly, primary societies can create or join a territorial, sectorial or other union ("alliance"). "Alliances" must consist of at least two primary societies, and can form higher-level unions as well as federations. Higher-level co-operative organisations can create funds designated for the mutual assistance, education and professional training of members and employees.

The district court is competent to settle all kind of disputes concerning the functioning and management of a co-operative society. Those entitled to call on the court are members, the body of the elected controllers and the Public Prosecutor. Consequently, a decision of the court can suspend a resolution or action taken by the elected managing committee (**Articles 66 and 67**).

The restructuring of existing co-operatives is dealt with by means of additional and traditional provisions. These provisions settle three ma-

for problems concerning the reconstruction, privatisation and smooth functioning of co-operatives:

- Firstly, the restitution to existing co-operatives (namely consumer and workers' or producers' societies) of any property confiscated or nationalised after September 1944. The law establishes the conditions for proving previous ownership of such property (additional clause 1). Rules on the implementation of the above principle were stipulated by the Council of Ministers' Ordinance 192 of 1 October 1991, amended and completed in 1993 (the text of Ordinance 192 is attached as Annex 4). The Ordinance, composed of four long articles, laid down all the conditions for proving ownership and settling claims for the restitution of co-operative properties. The authorities competent to decide upon ownership claims are: ministries, municipalities and liquidation councils in the case of cultivated land, and the regional court where the property is situated. Officials and employees who refuse, or fail, to return confiscated properties to co-operatives risk prosecution, whilst the co-operatives affected are entitled to seek compensation for damages caused and profits missed as a result of such administrative failures.

- Secondly, the distribution of co-operative property to members. The question regarding the destiny of the property accumulated by apex co-operative organisations during the Socialist regime raised contradictory voices and claims during 1990 and 1991. Because of this, in late 1991 the Ministry of Finances attempted to bring about obligatory redistribution of co-operative property to the physical members. Opposers of this plan were supported by the ICA President and the ILO, and these Governmental proposals failed to be adopted by Parliament. Apex co-operative organisations accepted, however, to proceed with the distribution of the accumulated property according to the provisions of additional clause 2. The CCU distributed all of its property to the unions and primary member-societies in the form of shares. The

Central Union of Workers' Production Co-operatives started even distributing such property to its members, to physical persons. The amount of property to be distributed, and all other matters of procedure, are decided upon by the General Assembly of each organisation concerned.

- Thirdly, the transformation and restructuring of all co-operatives constituted prior to March 1st, 1992. Transitional clauses 7 to 10 relate to matters regarding new agricultural co-operatives created during recent years. Land owners, even those who were not members of the co-operative, are entitled to receive a share for the years that their land was cultivated by the co-operative. If land remains in the hands of the co-operative, the owners or their heirs are also entitled to receive both dividends on their shares and rent for their land.

In addition to the basic Co-operative Law of 1991 and Ordinance 192 of 1991, amended in 1993, two other legislative texts regulate the constitution of co-operatives based on private ownership. These are the Law on Land Reform of 1991 (Article 8) and the Law on Private Banking.

The wide legislative policy followed between 1991 and 1993 favours a separate co-operative sector, restructured and privatised. The co-operative sector is also affected by other legislative texts redistributing State and municipal property, returning confiscated properties and enterprises, introducing a commercial code and creating the other financial, economic and social institutions and mechanisms required by a market economy.

Therefore, the impact of the new constitutional and legislative framework for co-operatives, both new and in the process of reconstruction, was direct and decisive. From the 1990 - 1991 crisis regarding the identity, nature and role of co-operatives within the conditions of an economy in the process of privatisation, has emerged a new image of co-opera-

tive societies. They are seen as part of the economic pluralism and pioneer organisations of the country's privatisation strategy.

In comparison with other countries in Central, and particularly Eastern Europe, one could safely say that co-operative legislation in Bulgaria is fair and advantageous. Apex co-operative organisations were restructured rather than dismantled. Furthermore, co-operatives form a separate sector of the economy under privatisation, not only separate from the State sector but also distinct from the private commercial one. Although separate, their status is equal to that of the two other sectors.

3 Current Developments

Following clarification of the co-operative identity and definition of the nature and role of the co-operative sector by Government policy and legislation, the task of restructuring the old co-operatives could be entered into whilst new co-operatives emerged in various areas of economic and social activity.

3.1 Intensification of co-operative restructuring

It was left to the co-operatives themselves to carry out the in-depth restructuring and transformation proposed by the legislation. The changes may be divided into two main categories: co-operative property and organisational and developmental issues.

3.1.1 Co-operative property

Questions related to co-operative property during the period of transition to the market economy, became crucial as far as the process was concerned, and were delicate from a political point of view. The whole problem had two facets. One was concerned with the distribution of accumulated co-operative property. The other was connected to the

privatisation strategy, dismantling of State enterprises and restitution of confiscated properties. Among the latter, a considerable number of properties and small and medium sized industries were taken away from the co-operatives when the State decided to nationalize the means of production. The co-operatives most affected by this were consumer societies and workers' production co-operatives.

As already mentioned, in compliance with additional clauses 2 and 3 of the Law on Co-operatives, consumer co-operative societies undertook thorough internal discussions and agreements adopted by decisions of their General Assemblies at all levels, from the apex CCU to the primary societies, to redistribute all of the property held by the CCU and the Unions.

The volume of property distributed since 1991 was calculated by estimation of the share capital, transactions and profits realised in the past. The value of the redistributed property was approximately 25 million US dollars. The Unions and primary societies received their share of the co-operative property in the form of shares, which will enable them to increase their activities and also to take a higher percentage of the Unions' annual profits.

On the other hand, since 1991 the consumers societies have begun to regain their properties, industries and agricultural land. According to additional clause 1 of the Law on Co-operatives, "the rights of existing and restored co-operatives over any property confiscated or nationalised after 10 September 1944, are reinstated". The procedure for such reinstatement was established by the Council of Ministers. Co-operative property should be returned within six months of the date on which the Co-operative Law was adopted. An extension to 18 months was awarded to co-operatives by Article 1 of Ordinance 192 of 1991, which laid down the rules for implementation. The procedure to be followed, and particularly evidence of previous co-operative ownership, were difficult and time-consuming. However, the co-operatives did not have to pay any stamp duty or expenses in respect of their claims.

Article 29 of the 1991 Law on Land Reform states that “any title to any agricultural land seized from ... co-operatives or any other such organisations shall be restored at the request of the said ... co-operatives”, unless the confiscated land was used for other non-agricultural purposes or allocated to landless citizens. In such a case, co-operatives can agree to receive other land from the State or municipality in the same, or another, part of the country, or financial compensation. In addition, by the end of 1993 a significant number of medium sized industries and factories had been returned to the consumer co-operatives. These consist of 36 dairies, 24 wine production plants, 24 canneries and a tobacco business representing 50% of the country’s former State tobacco monopoly. The value of this property is estimated to be 12 billion levas (400 million US dollars at late 1993 exchange rates). As the restitution procedure is not yet complete, additional property is expected to be received as a result of the deadline’s extension.

Workers’ production co-operatives also reclaimed property previously confiscated by the State and other bodies. Of 350 enterprises and workshops reclaimed they had received 170 by late 1993. Proof of ownership is particularly difficult. All co-operatives complain that the State and State officials are reluctant to return confiscated co-operative property.

The redistribution of workers’ production co-operatives’ accumulated property is more radical, and more beneficial to the physical members. According to the ‘personalization’ plan, the co-operative property, which had until then been considered the collective and indivisible property of the system, is to be distributed as follows: 60% of it is distributed among members of the primary organisations according to criteria relating to shares held and labour invested in the co-operative concerned. The remaining 40% remains the indivisible property of the co-operative. ‘Personalized’ property remains in the co-operative in the form of shares which give holders the right to dividends on the realised annual profits. The plan is still in its initial stages of implementation: only 30 of the 287 old primary co-operatives have achieved it. In this respect, it

should be understood that the technical problems which each co-operative must settle regarding the valuation of the property and of each member's labour are very difficult. Furthermore, settling them harmoniously and democratically by decision of the General Assemblies is a time-consuming process.

In conclusion, it could be said that the restructuring and privatisation process has had a considerable economic and moral impact on co-operatives and co-operators. With the exception of the redistribution of consumer co-operatives' property, its implementation is not yet completed. Nevertheless, the redistribution of property, even in its initial stage, is already rendering social justice to the primary co-operatives and their members, who had felt repressed by the higher-level organisations and the State during the Socialist regime. It can rightly be said that the accumulated co-operative property now being redistributed was the product of their labour, which had been withheld from them for several decades. Furthermore, in the case of workers' co-operatives, tools and equipment belonging to the members were progressively confiscated by the Socialist co-operative system.

From an economic point of view, the redistributed property will enhance the working and trading capacity of primary co-operatives by allowing workers and consumers to better participate in the distribution of the profits. With regard to the properties and enterprises returned to co-operatives since 1991: these are valuable assets, but in many cases they are a poisonous gift. Most of the equipment, premises and factories are old and un-productive, they need substantial capital for their renewal and reconstruction, and responsibility for the employees of the reinstated factories and enterprises is also transferred. A solution must therefore be found to the labour problems of the restituted enterprises. This solution is unavoidably found at the expense of the receiving co-operatives.

3.1.2 Membership relations

In the present co-operative movement membership relations are observed both as regards duties and obligations. The co-operative principles are followed and have been included in the 1991 Co-operative Law.

Voluntary association and open membership

This principle is laid down in Article 1 of the Law. The membership of a co-operator approved by the Managing Council has to be confirmed by the General Assembly. Any individual may be a member of several co-operatives.

Democratic management and control

The co-operative is managed and controlled by its members through legally and democratically elected bodies of management (the General Assembly, the Managing Council and the President) and of supervision (the Supervisory Board). All decisions are made in accordance with the co-operative principle “one member - one vote”.

Property rights

Members are all co-proprietors.

Non-profit character

Co-operatives' main aim is the provision of economic, social and cultural services to their members. The profit from co-operative activities is given back in the form of a limited return on capital, i.e. a dividend (on share capital and on purchases).

Political, racial and religious neutrality

Any person, regardless of his or her political, racial or religious affiliation may belong to a co-operative. All co-operators enjoy equal rights and duties.

Education

A Co-operative Department has been established at the University of National and International Economy. There are also two big training centres attached to the CCU, and 14 training centres attached to the regional co-operative unions.

Co-operation between co-operatives

This principle is fully applied. As already mentioned, the CCU, the 37 regional co-operative unions and the inter-co-operative enterprises provide legal, advisory, organisational, financial and economic services to their associated co-operatives.

Democratic control

Democratic control takes several forms. Firstly, in the co-operatives themselves there are two types of control: management, which is responsible for the implementation of their resolutions and Supervisory Councils. The Supervisory Council has total control over the activities of a co-operative and its Managing Council.

The second part of the system of control is through inspections, assistance in organisational, legal, financial and methodological matters, and inter-departmental control. On their part, the Supervisory Councils of the CCU and the co-operative unions provide methodological assistance to the Supervisory Boards of the co-operatives.

The Law on Co-operatives provides all co-operative establishments (co-operatives, co-operative unions and inter-co-operative enterprises) with a common legal safeguard over all the resolutions and actions of their managerial and supervisory bodies.

Members' property rights

The property of the co-operative belongs to its members. However, this property can be distributed among the members only on the termination of a co-operative's activities and its declaration of "insolvency". Each co-operative member has the right to receive part of its assets, in

proportion to his share capital. However, if a co-operative member leaves the co-operative he/she will receive only the sum of his or her share contribution and the appropriate dividend (annual profit). The heirs of a deceased co-operative member have a similar entitlement.

In those cases where a co-operative member has contributed land to the co-operative he/she will retain rights over that land, and is entitled to receive rent (which may take the form of payment in kind) for its use. The share contributions of co-operative members are not subject to distraint and forced execution.

Members' financial contribution

Co-operative members make the following contributions to the co-operative:

- a joining fee (not refundable), the amount of which is determined by the By-laws;
- a share contribution, as determined by the By-laws. This is given back to the co-operative member (or to the heirs of a deceased co-operative member), together with his or her share of the dividend, upon leaving the co-operative or in case of its liquidation;
- additional contributions (earmarked for a particular purpose) by resolution of the General Assembly. These are to be returned after a term set by the General Assembly, and are not reflected in the share contribution of the co-operative;
- money in the form of a loan, as determined by the General Assembly, which also decides upon the terms of its repayment and the interest rate payable. Such money is not reflected in the share contribution of the co-operative.

Division of power in making resolutions

The General Assembly, Managing Council, President and Supervisory Council have separate and different powers. They are reflected in the Co-operative Law and each co-operative, in accordance with its specific activity, records these in its By-laws.

The General Assembly usually has the widest and greatest powers as regards all the matters concerning the co-operative, including the cancellation of any resolutions and actions which are in opposition to the Law or By-laws. It is the exclusive power of the General Assembly to make resolutions on the following issues: election of the President, Managing Council and Supervisory Council; elaborating, changing and supplementing the By-laws; remission, deferment and extended payment of money due to the co-operative; disposal of the co-operative's real estate; dismissal of members; financial reorganisation of the co-operative; reconstruction and liquidation of the co-operative, or the declaration of its insolvency.

The Managing Council carries out the resolutions of the General Assembly and directs the activities of the co-operative, for which it is responsible to the General Assembly.

The President of the co-operative is also the President of the Managing Council. He represents the co-operative, supervises the performance of the General Assembly and Managing Council's resolutions and manages the everyday activities of the co-operative.

The Supervisory Council inspects the activities of the co-operative and is accountable to the General Assembly. It is empowered to convene the General Assembly when it finds significant infringements of the Co-operative Law or By-laws.

- the responsibility of the directors, presidents and elected officials is determined by Bulgarian legislation. When such officials have been elected they are fully responsible under the Law on Co-operatives, i.e. for any infringement of their obligations as members.

Members have the following advantages not available to employees or users who are not members of the co-operatives:

- a dividend on share contribution;

- a consumer dividend (paid on purchases from co-operative retail outlets);
- dividends for economic participation (provision or processing of produce, participation in other areas of the co-operative's economic life);
- the opportunity to purchase some goods at reduced prices;
- co-operative education and training as well as some social, health and other services are reserved only to members and employees.

3.1.3 Organisational changes and developmental trends

Since the adoption of the Co-operative Law of 1991, both consumer societies and workers' co-operatives have embarked upon the reshaping of their respective structures, and planned to develop the volume and types of their activities.

3.1.3.1 Consumer co-operatives

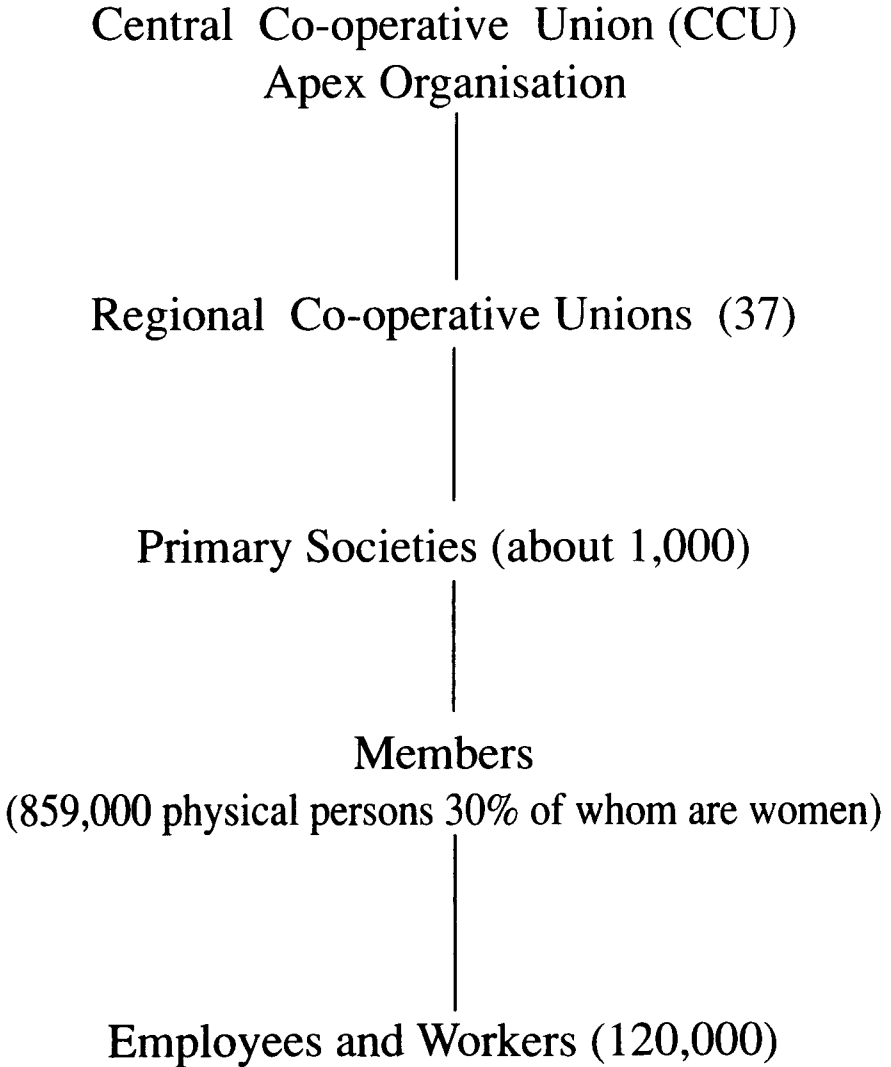
Consumer co-operatives adopted new bylaws, adapted to the new co-operative policy, values, principles and practices laid down by the law of 1991. The election of new managing boards and supervisory councils also took place at all levels, without any interference from the State. The number of administrative personnel working at the CCU was then radically reduced with a view to decreasing costs. Its 538 employees were reduced to 277 in 1989, then cut to their present level of 121. Redundant staff are entitled to receive redundancy payments as prescribed by the Labour Code of 1992, and also to retain membership of the consumer societies.

In contrast, an effort is under way to restructure the regional unions and upgrade their role and activities as intermediate organisations by maintaining links with the apex organisation and primary co-operatives. Currently there are 36 regional unions engaged in mixed activities, and one union which specialises in the production of soft drinks. The General Assemblies of the unions are composed of delegates proposed by, and representing, the member societies.

The adoption of new bylaws was an occasion for consumer organisations to increase the value of the share from 100 to 1,000 levas. Members who refused to subscribe to the new shares, left the co-operatives, or were dismissed by the General Assemblies. As a consequence, the amount of share capital was increased whilst the number of members decreased, both considerably. The number of primary co-operatives was also subject to fluctuations. Division of the old and large primary societies, as well as the emergence of new ones, has increased their number.

Table 8 indicates the organisational situation of the consumer societies at three levels. On the top, a strong apex organisation to which are affiliated the co-operative organisations and co-operative enterprises. The CCU also undertakes its own economic and social activities. In the middle are regional unions, which have their own production networks, trading points and educational/training schemes. At the bottom of the structure there are around 1,000 primary societies, 22 of which specialise in the production of carbonated soft drinks. Primary co-operatives also own their production enterprises. Membership is currently reduced to some 859,000 individuals, 30% of whom are women. Some 120,000 persons are employed by the consumer societies. Most of them are also members and are, therefore, entitled to receive both wages for their labour and dividends on their share capital.

Table 8: Vertical Structure of Consumer Societies



Consumer societies undertake most of the economic activities and retail trade. The corresponding turnover is significant according to the various areas of activity as shown in Table 9.

Table 9: Co-operative participation in national production and sales for the years 1990 and 1991

Categories	1990 (%)	1991 (%)
- retail shops	27.00	26.60
- catering	34.48	31.48
- confection	—	57.00
- sugar products	—	10.00
- bakery	—	52.00
- soft drinks	—	95.00

Inflation and lack of credit have worsened the current conditions for production and trade within consumer societies. This is why the consumer system introduced saving and credit services (more than 500 such schemes now operate at the level of the consumer organisations). Deposits received by these societies (300 million levas of deposits from 100,000 depositors) led the consumer co-operative system to decide to promote a separate Co-operative Bank in 1991.

Table 10 explains the fluctuations of turnover within co-operative retail trade between 1970 and September 1993, as compared with the national retail trade.

**Table 10: Turnover of consumer societies' retail trade
(% of national turnover)**

Years	% of retail turnover	increase/decrease over previous year
1970	35.7	--
1982	30.4	- 5.3
1987	28.4	- 2.0
1989	27.8	- 0.6
1990	28.2	+ 0.4
1991	26.6	- 1.6
1992	22.3	- 4.3
1993	20.0	- 2.3

Source : Central Co-operative Union

3.1.3.2 Workers' production co-operatives

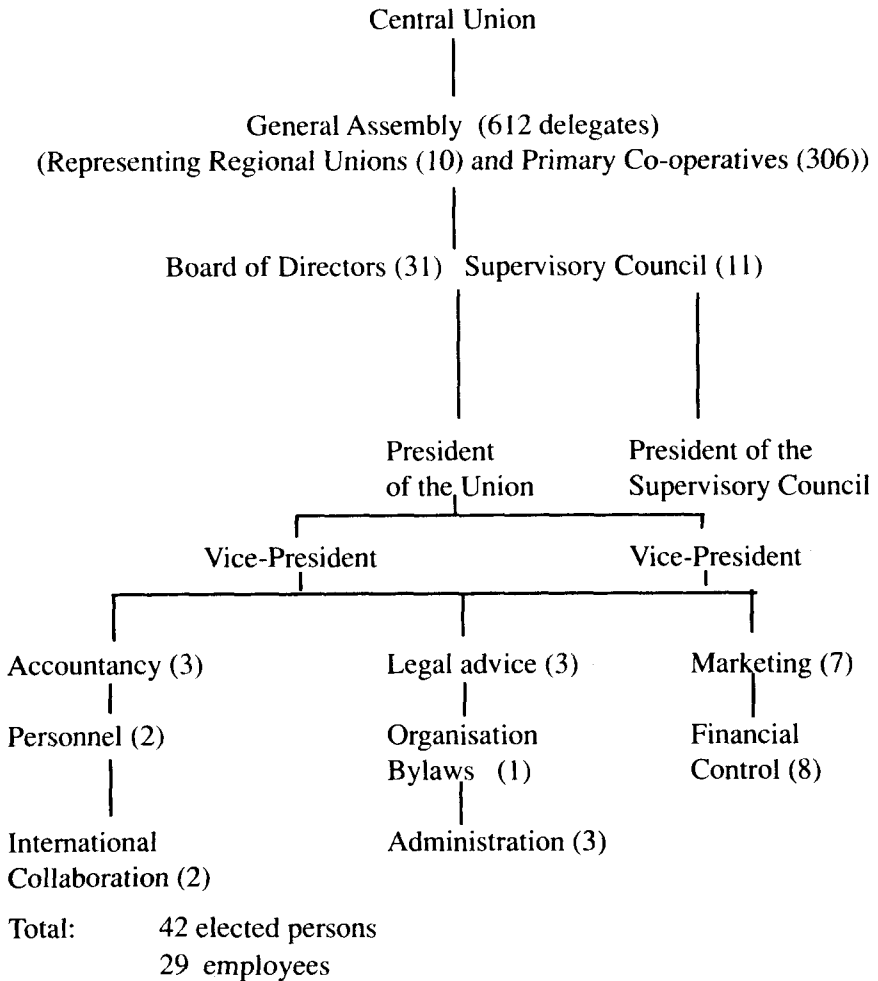
These have also undertaken structural changes, adjustments and improvements since 1990. New bylaws were adopted by General Assemblies at all levels. New elected bodies (managing boards and supervisory councils) took responsibility for the destiny of workers' organisations with the objective of achieving independence from the State and municipal councils, and further restructuring them so as to be ready for the conditions of the market economy.

Table 11 reproduces the organisational chart of the apex organisation (the Central Union of Workers' Production Co-operatives) set-up following the last Congress.

Some 612 delegates, representing both regional unions and primary organisations, constitute the General Assembly of the Central Union.

They elect the Board of Directors (31 members) plus the Supervisory Council (11 members). There is a small technical and administrative staff of 29.

Table 11: Organisational Chart of Workers' Productive Co-operatives (The Central Union)



At the local level, there are 306 co-operatives, half of which were created after 1989. The membership of each primary co-operative ranges from seven to 1,500 physical persons. Members specialise in one type of work, and many of them are involved in large production operations.

For the time being, ten reshaped regional unions function in the middle of the vertical structure. These support primary co-operatives.

The Central Union plays a leading role not only in the process of restructuring, but also, and primarily, in the various fields of economic and social activity. In this respect it attempts to attract foreign investments for joint ventures with partners from neighbouring counties (mostly from Greece, Germany and the Russian Federation at present). Low labour costs favour the production and export of clothing.

The most crucial problem currently facing workers' co-operatives are: low productivity due mainly to the insufficient qualification of member-workers; lack of external markets lost during recent dismantling of the centrally-planned economies of the countries in the region; the burden, in some cases, of the size of the administrative staff; and the most important in the long run, bad employment conditions and wages. Some of the administrative staff are relocated in other areas of work, and others leave. Only a few have to be made redundant, and these receive redundancy pay as prescribed by the Labour Code of 1992. For the time being, the restructuring of labour has not affected the members-workers. They have, however, begun to be subject to a reduction in wages and profits, due partially to the lack of favourable working conditions. The wages of many members are decided according to the country's minimum salary level, and others have to be laid off. In case of lay-off, no wages are paid to the members concerned, but they continue to receive the social benefits recognised by the Labour Code. Adverse conditions of employment and rising prices force workers' co-operatives to resist any reduction of labour, acting, for the time being, in favour of group solidarity rather than improved productivity.

Members' wages are fixed according to the quality and quantity of work performed by individuals or teams, following consultations between the boards of directors and the working members.

The workers' co-operative system has another important objective related to the social services for its members. In the past, a large number of health, cultural, sporting and educational properties and establishments financed by both State and co-operatives, provided basic services to co-operators. These have now been reclaimed by workers' co-operatives. One such establishment (the Co-operative Polyclinic in the city of Pleven) was visited by the author of this Report in late September 1993.

Producers' co-operatives of handicapped persons affiliate themselves to local units, which are in turn affiliated to their own Central Union. These co-operatives were separated from the Workers' production co-operatives in 1991. They continue to operate according to their rules and capacity. Their activities aim to supplement their members' incomes, so as to ensure for them a decent standard of living.

3.2 Emergence of new co-operative institutions

Three main factors explain the emergence of new co-operatives and co-operative institutions: the impact of the privatisation of land, the enormous need of the population and the desire of established co-operatives to prepare the market conditions for the co-operative sector.

3.2.1 Agricultural co-operatives of primary farmers

An important section of the population, estimated at 900,000, is entitled to claim for private land ownership and start farming and cattle breeding. This is a result of the dismantling of collective farms and

agro-industrial complexes. Private farming would have been almost impossible without the organisation of group action and common services for production, processing and marketing activities.

Co-operatives have also been seen as a possible solution to the problem of privatised farming. Article 8 of the 1991 Law on Land Reform enshrined the right of individual farmers to unite within co-operatives for the joint cultivation of land. Conditions regarding the constitution and functioning of such co-operatives are established in the Co-operative Law of 1991.

The creation of new agricultural co-operatives began in 1989. The first 15 participated in the Congress of Collective Farms organised in Plovdiv in 1990. However, the situation had changed by the Congress of 1991. 650 new co-operatives decided upon the establishment of the National Union of Agricultural Co-operatives, based on private land ownership. An extraordinary General Assembly of the Union held in Sofia in June 1993 was only attended by 450 new primary co-operatives affiliated to the Union (i.e. no collective farms). The reduction in their number is explained by the fact that one third of the new co-operatives created since 1989 were disbanded or liquidated as a result of the restructuring imposed by transitional clauses 7 to 9 of the Co-operative Law. The object of such restructuring was the new registration of recent co-operatives and the arrangement, by decision of their General Assemblies, of all matters related to members', employees' and non-members' rights to receive shares, rent and dividends for land used by the co-operatives.

Between the apex organisation and the primary co-operatives are four local and 18 regional unions at the district level. It is planned that such regional unions should be established in all 28 districts of the country. Model bylaws have been adopted by organisations at all levels.

On an experimental basis, the EU PHARE project and the USA organisation, Volunteers in Overseas Co-operative Assistance (VOCA), are

providing support for setting up the organisation of the young movement and consolidation of the co-operatives as self-managed organisations of individual land owners. Details of the objectives of, and problems currently experienced by, these emerging co-operatives are to be found in the Basic Guidelines adopted by the National Union in June 1993, and in the Reports of Bulgarian specialists to a recent Seminar of the FAO.

The Union's first concern is related to the splitting-up of the collectivised land into many tiny individual plots: it hopes to create various types of agricultural co-operatives aiming to represent the interests of their members. Such co-operatives should respect both the basic co-operative principles and the existing co-operative and general legislation as well. Co-operatives are, therefore, a key alternative for agricultural development. The Union claims all means of production (land, plant, other material resources) collectivised or confiscated in the past for return to the members of the new co-operatives without excessive formalities. The management and administration of co-operatives' internal affairs should be the exclusive responsibility of their General Assemblies and other elected bodies. This implies separation from the State and State bodies. However, it was felt that during the transition to the market economy, the State should assume functions beneficial to co-operative development, such as minimum prices for the purchase of agricultural produce; the granting of loans at preferential rates of interest for production and investment purposes; taxes not exceeding 20% of their income, but varying between zero and 40% according to each household's revenue. Those earning less than the "social minimum" should be exempt from taxation, and loans granted to new farming organisations should be interest-free for an initial period of five years; extension services, plant protection and modernisation of the existing infrastructure; a special insurance fund against natural disasters; assistance with export and protection against imported agricultural products. Proposed guidelines insist on co-operatives' engaging in further collaboration with the State, the Ministry of Agriculture and the regional and local authorities during the initial organisational period.

During his visit to the region of Pleven, in October 1993, representatives of primary agricultural co-operatives expressed similar views and concerns to the author. New co-operatives should function separately from the State, but should still be assisted by the latter. Co-operatives should accept as members all those involved in farming and in production, processing and merchandising activities.

On the other hand, co-operatives should be allowed to participate in the privatisation of agricultural and food enterprises. A number of the businesses, therefore, should be handed over to the agricultural co-operatives (which produce their raw materials) under favourable conditions, e.g. long-term, low-rate bank loans. In other words, the conditions should be equal to those arranged for industrial workers wishing to bid in the auction of State enterprises (Article 31 of the 1992 Law on the Transformation and Privatisation of State and municipally-owned enterprises). If this was accepted by the Government, the co-operatives' members could undertake to provide those enterprises with the necessary raw agricultural materials. In this connection, co-operatives should also proceed with the creation of their own industrial networks.

The Union Guidelines emphasise the importance of collaboration with scientific and educational institutions in order to support productivity and to enhance the managerial skills and professional qualifications of managers and technicians.

It is planned that links with international organisations such as the ICA will be established, as well as working relations and the exchange of information and experiences with other co-operative organisations, at home and abroad.

Reports from Bulgarian specialists on rural development highlighted most of the current problems experienced in the process of land reform and the perspectives of the agriculture to be organised in new privatised forms, including co-operatives.

According to the information collected during the on the spot investigation of late 1993, in June 1993 1,205 new agricultural co-operatives were formed with a membership of 329,000 and 750,000 hectares of cultivated land. Applications from another 695 with 95,000 members and 290,000 hectares of land are awaiting registration. These co-operatives, of which 450 are affiliated to the Union, cultivate 20.45% of the nation's land, while another 1.53% of the country's arable land is cultivated by 10,489 individual farmers. The land cultivated by new co-operatives and individual farmers is equal to the amount of land returned to the previous owners by June 1993 (less than 25% of the collectivised land).

On the other hand, the reported data about significant increases of productivity within the privatised farming sector by the end of 1992, in comparison with the national output in this field, are conclusive. This constitutes an early proof of the capacity of the privatised farming system, both co-operative and individual, to maximise the productivity of the agricultural sector despite the lack of inputs and weakness of the existing technical infrastructure.

Agricultural co-operatives in the process of creation and organisation are a promising wide economic and social experiment. Their success depends on farmer-co-operators adhering to a genuine co-operative constitution, and functioning according to the well-established co-operative principles and democratic practices. Any reproduction of the collective system of farming crushed by a heavy administration and members who are not personally and directly involved in the land's cultivation should be avoided. Beyond this, support from the State and assistance from the national and international co-operative movements will determine the successful implementation of the current co-operative endeavour.

3.2.2 The Central Co-operative Bank

Resumption of the country's long tradition in the field of rural credit co-operatives and urban popular banks, as well as the current financial and monetary situation of Bulgaria, have precipitated the establishment of an independent co-operative banking institution.

The Central Co-operative Bank was created and registered at the Sofia Court in April 1991 as a shareholding limited company foreseen by the banking legislation in force since 1991 (Law on Banking and Credit). This law applies only to Banks owned by companies or co-operatives. Its original founders were various individuals and consumer societies. The social capital in 1991 was 220 million levas. In 1992 the Bank was transformed into a joint-stock company, and increased its capital to 500 million levas. Some (20%) shares, at a value of 1,000 levas each, were issued as 'bearer shares' and sold directly to the public over the Bank's counters or on the stock exchange. The remaining 80% of shares were issued in the name of the member-co-operative societies. The second category of shares gives members the right to vote (one share-one vote), while the first does not. For the time being, members take up around 12% of the loans granted annually by the Bank, the other 88% going to various firms, organisations and individuals.

At the end of 1993, 17 Branch Offices were in existence in the larger urban centres of the country. It is planned that other Branch Offices will open throughout the country in order to bring the services of the institution closer to the members and to the public.

The Central Co-operative Bank network develops its activities, as do all other privatised commercial banks, in the internal financial and monetary market. However, it also provides for all kinds of operations concerning foreign exchange. The Bank hopes to create a working relationship with foreign banks and to facilitate Bulgarian trade activities abroad. For this purpose it looks forward to entering the international

financial market and establishing working relations through co-operation and collaboration with other co-operatives.

The staff of the Bank is well qualified, drawing its experience from the State banks and using fourth generation IBM computers. Relationships have been established and exchanges of visits and consultations have already taken place with European banking institutions. In 1993 the Bank was accepted as a corresponding member of the Association of Co-operative Banks of the European Union. Exchange visits for organisational purposes have also been inaugurated with the co-operative credit system of France, while English institutions provide expertise for improving the managerial qualifications of the Bank's key workers through the Plunkett Foundation. Rabobank (Netherlands) is also sought for assistance in organising training courses for the bank's managers.

Currently, the rate of interest paid on the 'bearer shares' is higher than that paid on the members' nominal shares (by 45% on average). The rate of interest received by the Bank for loans granted ranges from 52% to 54% for members and from 56% to 58% for the non-members. With respect to loans given to farmers, two thirds of the interest is paid by the State.

According to the rules governing the National Bank, a percentage of the Co-operative Bank's deposits has to be transferred to the National Bank without interest. The Co-operative Bank, however, is entitled to take out loans from the National Bank at an affordable rate of interest. The repayment of loans is considered to be satisfactory, since the interest rate it is kept below 15%.

It has been reported that the annual turnover of the Bank represents more than 50% of the total turnover realised annually by the private banks.

A visit paid by the author to the Pleven Branch Office, 180 kilometres North-East of Sofia, allowed him to become acquainted with the various operations at the regional level. The daily receipts of the member-co-operatives and other users, amounting to between three and five million levas, are collected by a special itinerant service of the branch office.

Three types of loans are granted: short (up to one year), medium (between one and five years) and long-term. A commission of between 3% and 12% is levied by the Bank for its operations. In the case of member-societies the above percentage is reduced to 5%-6%. The annual turnover of the Pleven Branch Office was reported to be 800 million levas. Of this, 1.6 million is paid out in salaries, 22 million are net profits and 65% of these are paid to the State budget in taxes. An amount of ten million levas is distributed among members. In addition to agreements signed by the borrowers, loans are secured against goods and real estate (land is exempt), thus protecting the Bank against losses. Disputes and recovery problems are reduced due to the flexible conditions for the allocation and repayment of loans. The overall system is much better than that operated by other private banks, especially when the users are member-co-operatives.

The Central Co-operative Bank is governed by the Board of Directors. Its President is Ms Katarina Zarkova, assisted by two Deputy-Directors and members of the Board of Directors. The Deputies are responsible for the domestic market and the Board for the international affairs. At the regional level of Pleven, the Branch Office is governed by a Director appointed by the Central Co-operative Bank. He is assisted by a Credit Committee of five specialists.

themselves of full-time basic economic education for a period of four years, including curricula on co-operative economy, management, finance, history and law. Distance learning is also possible by means of a five-year correspondence course.

Entrance to the Department is by examination. Enrolment levels (50% boys, 50% girls) for the first four years have been as follows:

- 1990/91: 68 students
- 1991/92: 32 students
- 1992/93: 14 students
- 1993/94: 29 students

Students receive maintenance grants and free tuition. For the time being, all expenses related to their education are paid by the Central Co-operative Union, which also guarantees employment for the graduates. To this end, binding contracts are drawn up between the CCU, which finances the educational programmes, the student beneficiaries, and the co-operative organisation which is to employ the graduate.

The students acquire practical experience through regular periods of work within the consumer society which will eventually employ them.

During the academic year 1991/92 a Co-operative College was also created in Sofia under the auspices of the above Department. Education provided by the College is full-time. Correspondence courses are also provided by four other Sections of the College, operating in four urban centres: Plovdiv, Pleven, Berkovitsa and Haskovo. Existing CCU Training Centres located in these cities receive students for examinations. Usually such students are employees who are periodically given

improving and developing the human resources needed by the old and new private co-operatives. This major educational attempt was mainly planned by and realised thanks to the contribution of the Central Co-operative Union of consumer societies in close collaboration with University professors and highly-educated Bulgarian personalities. The CCU, by sponsoring this social and educational endeavour, has achieved a major goal at which all co-operative movements around the world are looking: the integration of a basic curriculum of co-operative economy, theory, law and history into the national educational system with a view to reproducing human resources for future co-operative membership and management.

4 Conclusion

The long tradition of co-operative action in Bulgaria is part of its economic and social history. It has gone through various periods of successful development, as well as of difficulties and transformations. Although its economic model was brought in from outside Bulgarian society, the co-operative movement soon developed deep roots in the fertile social soil of this Balkan country, which was always keen to be endowed with civilised institutions quickly assimilated by the working population. Various forms of co-operatives managed to overcome cultural and organisational obstacles before the Second World War. They also absorbed the structural, functional and ideological blows since imposed by the totalitarian Socialist regime. Recent steps taken by both Government and co-operative leaders have resolved the crisis of identity and restored co-operative tradition, values and principles.

The following highlights could further substantiate evidence of the above conclusion. Brief reference will also be made to the Bulgarian co-operative movement's plans and expectations.

4.1 Main highlights

The most important factor which favoured the reconstruction and privatisation of co-operatives was the wide and propitious legal framework instituted in the country by Governmental policy and various legislative texts adopted between 1989 and 1992. The national consensus of all social partners regarding restored economic pluralism, placed co-operative societies and the co-operative sector among private associations, alongside commercial companies. These facts brought about the resurrection of co-operatives in much clearer conditions than in some other countries of Central and Eastern Europe.

Table 12 borrowed from the Article of M. Meurs and Ch. Rock: “Recent evolution and issues of Bulgarian co-operatives”, published in the *Yearbook of Co-operative Enterprise 1993*, pp. 39-52, Plunkett Foundation, Oxford, U.K., up-dated and completed in the light of data collected in late 1993, points out the legal and policy changes and improvements already evident.

Table 12: Changes in Co-operative Rules and Practices in Bulgaria

Issues	Pre-1989 Laws and Practices	Current Laws and Practices (1993)
Autonomy		
Legal, constitutional framework for individual co-ops:	uniform-mandatory for all co-ops	freedom-within constraints of 1991 co-ops law and constitution
Individual co-ops in federations (co-op unions):	obligatory	voluntary
Individual co-ops’ rights to establish own internal practices within law:	minimal	yes

Issues	Pre-1989 Laws and Practices	Current Laws and Practices (1993)
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Autonomy (cont/d)

Only a single federation (co-op union) for co-ops:	yes (1970-88)	no, several
Co-op federation (union) right to intervene in member co-ops' decisions	yes-finance, products, planning	no-only by mutual accord
Internal governing of individual co-ops	practice: oligarchic	democratic by elected bodies

Property Rights/Privatisation

Distribution of the co-op property on dissolution to:	co-op union	members
Dividends paid on share capital contributed as proportion of wages paid:	very small (0-2%)	no limits (bylaws)
Restrictions on distribution of rights to share in co-op's capital or profits	non-individual: to whole co-op	individualised: to each member
Rent paid to members or others contributing land	not in practice	yes, required
Retention of members' property rights to specific land or other physical property	no: only as abstract share until 1959	yes: or can agree to share
Right of members to withdraw property on ending membership	no	yes, share and land
Share capital permitted for non- workers in worker co-op	not relevant	yes

Issues	Pre-1989 Laws and Practices	Current Laws and Practices (1993)
Co-operative Credit		
Central co-op bank exists:	no	yes since 1991
Saving credit and deposits	no/nationalised	yes 1) by consumer societies (Art.38 Law 1991) 2) central co-op bank
Possibility of individual co-ops borrowing directly from any existing bank:	no	yes
Labour Rights and Trade Unions		
Income per member-worker compared to hired labour:	relatively equal	at least equal plus dividends for shares
Effective restrictions on wage rates:	yes (in practice)	no, but in workers' co-ops depends on productivity
Trade union representation mandatory for hired labour:	yes	yes, except workers' co-operatives
Non-member hired workers permitted in co-op:	maximum 10%	no legal limits
Member's right/obligation to job in production co-op:	yes	yes
Obligation of member to work specified number of days	yes	no, unless stipulated in by-laws and internal regulations
Marketing		
Ad hoc subsidies/siphoning of income by Government to achieve central state goals:	yes	no
Who is involved in export/import trading?	federation obligatory	no restrictions but in practice second and third degree organisations plus co-op industries
Decisions on a co-op's main products, prices, quantity produced:	some co-op unions, but mostly by State Plan	100% by unions and co-ops
<i>Laws which apply to co-operatives: See list in Annex 2.</i>		

The recent years of restructuring, land reform and privatisation, which are still on-going, have resulted in the emergence of a wide co-operative sector in quest of its private identity and seeking to reclaim its part of the market economy, and increasingly beginning to affect the everyday life of consumers, workers and farmers, as they continue to establish themselves.

Three main trends are typical in all types of co-operatives. Apex organisations at the top, and primary societies at the bottom, constitute the essence of each sectorial movement. The intermediate organisations, local and regional unions, are insufficient in number, have less activities and are still in the process of reconstruction. In contrast, the apex organisations are not limited to planning, advising and defending their member-societies, but continue to undertake large-scale economic activities. Finally, membership of some apex organisations is mixed in the sense that their members are both primary and secondary co-operatives.

Due to the specific conditions prevailing in the country, especially the level of unemployment, and the social benefits which co-operatives provide (sickness schemes, accident cover, pensions, maternity pay) some of the co-operatives are reluctant to reduce their workforce. This slows down the process of restructuring and makes them less competitive. It also risks perpetrating the condemned working and living conditions of the Socialist period. This is particularly true for the new agricultural co-operatives in that they concentrate on joint land cultivation rather than on the provision of services in common to their individual member-farmers. The drawback is that the agricultural co-operatives' members are not only farmers directly and personally involved in agricultural activities but also land owners occupied in other activities, retired land owners, landless workers, administrative staff and technicians.

Workers' co-operatives also continue to hang on to their administrative staff, technicians and high staffing levels. Certainly, this decreases the

unemployment figures and supports the benefits system. However, the delay in restructuring the organisations concerned, prevents them from being fully prepared for the market economy, in the context of which productivity and competitiveness guarantee survival and successful functioning.

The consumer societies, in contrast, reached an advanced stage of maturity, due particularly to three initiatives taken since 1991: firstly, they provided financial and technical support for the creation and functioning of higher educational institutions at the university level. This will improve the qualifications of a new generation of co-operators, managers and technicians. In this field the consumer co-operative system of Bulgaria is ahead of many other countries. Secondly, the rapid and successful development of credit and deposit services created the right conditions for the establishment of the Central Co-operative Bank, the most important working tool of the country's co-operative movement. Thirdly, consumer societies, through their direct involvement in the production, processing and marketing of agricultural products, bring farmers and consumers closer together and achieve larger goals of economic development.

With regard to their economic role and volume of activities, the importance of the consumer societies is significant. In the context of the dismantling of the State trade, and in the absence of a developed private and commercial network of retail trade, consumer societies will continue to occupy a key position for the time being and for many years to come.

Among the six main co-operative institutions, two, The Central Co-operative Union of Consumer Societies and The Central Union of Workers' Production co-operatives, are already members of the International Co-operative Alliance and its specialised Committees of INTERCOOP (trade) and CICOPA (workers' co-ops) and have many working relationships abroad. Two other organisations, the newly-constituted Central Co-operative Bank and the National Union of Agricul-

tural Co-operatives, are in the process of establishing such links with international organisations and seeking membership of the ICA and other European institutions. Within the remaining two institutions, the Department of Co-operative Management and Business and the Central Union of Workers' Co-operatives of Handicapped Persons: one old and one new, working relationships are focused on questions of expertise, assistance and collaboration.

4.2 Expectations

In the transition to the market economy, the major problem seems to be the delay in completing the restructuring and privatisation process in all its forms and dimensions. Furthermore, the restitution of properties and enterprises to consumer societies and workers' co-operatives is far from complete, and the land redistribution is still only at the halfway stage. As for the sale of State enterprises, the plan is still in its infancy, and does not favour the workers' views and proposals for full participation in the auction and sales. Co-operatives are right in saying that settlement of the above difficulties and delays in transforming the State economy are not under their control. However, they have prepared themselves for the process and wish to be able to overcome these transitional problems as quickly as possible.

The taxation system, which applies to most co-operative organisations, but particularly to consumer societies and to the Central Co-operative Bank, should take into account the fact that co-operative activities are not lucrative. Through its taxation policy, customs duties and other financial measures, the State should support and promote co-operatives as stipulated in Article 2 of the Law on Co-operatives of 1991. The tax exemptions which Article 37 of the same Law makes for some types of co-operatives should be enlarged to include those co-operative activities which are connected to production and to investment in labour.

The administrative machinery of the State and other related bodies and authorities handling economic, legal and financial matters should be

simplified so that it is ready to take snap decisions on developmental subjects. Also, the State's control over the activities of workers' co-operatives should be abolished and the burden of co-operative contributions to the State budget reduced.

Credit facilities at affordable rates of interest, and other favourable conditions, should be organised for workers' and private farmers' co-operatives.

The State should establish an appropriate physical, technical, technological and scientific infrastructure for the emerging agricultural co-operatives.

Last, but not the least, Article 31 of the Law on Privatisation of State and municipal-owned enterprises permits the workers in such enterprises to bid in their auction or sale, and to receive favourable conditions of price and repayment. This should be extended to all types of co-operatives. As a matter of fact, agricultural, workers' and consumers' co-operatives are strongly interested in such an opportunity. In conclusion, the country's co-operative movement, in its capacity of private societies, wants the State to speed up the privatisation process, and to complete it by improving administrative channels and adjusting legislative texts in the light of the new economic conditions.

4.3 Perspectives of further co-operative development

Within the new conditions of market economy, the three main types of co-operatives are working hard, each of them at its own speed and capacity, to renew, expand and diversify their economic and social activities.

Far behind the other two, agricultural co-operatives are only just beginning to get off the ground. Their future depends on the effective

implementation of the State's policy on the distribution, reallocation and renting of land. The organisation of agricultural co-operatives should start from scratch and involve both the State and individual farmers. Whatever the outcome of the steps taken to this end, the fact is that reconstruction of the agricultural economy and society can not become reality without the group action of individual farmers who own small plots of land. Co-operatives, therefore, are a viable choice for the State's privatisation of land and the survival of new farmers. The two are connected, representing two sides of the same coin.

Workers' production co-operatives have decided to proceed with the creation of new production ventures for their members, in collaboration with partners from abroad. They intend to make better use of a workforce which desperately wants employment. The success of their expansion plans can be achieved only at the price of further sacrifices: firstly, the existing large co-operative organisations must be divided into smaller organisations and secondly, the high cost of production must be reduced. Staffing levels have to be decreased, and co-operatives which cannot keep up with changing economic circumstances abandoned. The workers' co-operative system should claim the right to bid in the auction of State' and municipal enterprises, some of which could be organised as employee buy-out units and run as co-operative type businesses. Through such a strategy workers' co-operatives can fight for their place in the industrial sector, securing employment and a better income for a large number of workers.

Table 13 reflects the ambitious investment programmes of 144 production enterprises and workshops in the process of creation or re-organisation during the Workers' co-operatives' 1990-1995 period.

Table 13: Investments required for the construction of small enterprises, workshops and production lines - 1990-1995

Small Enterprises Workshops	Number	Year	Capacity per Annum	Capital Investment (1,000 levas)
Yarn manufacturers	10	1991/95	5,900t	49,300
of which: cotton	1	"	1,500t	-
wool	8	"	3,400t	-
(short) flax filament	1	1993	1,000t	-
Weaving Workshops	8	1990/93	10,200thmr	18,500
Fur-dressing Enterprises	3	1990/92	2,000furs	2,000
			3,000sq dcm	7,000
Shoe Manufacturers	10	1990/91	4,350 pairs	5,000
Metalworking Shops	40	1990/95	125,000 levas	37,755
China Manufacturers (ceramics)	5	1990/95	20,000 levas	3,000
Ready-to-wear Clothing	47	1993/95	2,290pcs	3,250
Knitwear	17	1993/95	7,285pcs	47,650
Packaging	4	1990/95	-	20,500
Furniture	-	1990/95	-	80,000
Plastics	-	1990/95	-	25,000
TOTAL	144			298,955

NB: estimates based on 1990 prices (exchange rate: 1,000 levas = CHF 1810.-)

t = ton

sq dcm = square decimeter

thmr = thousand meters

pcs = pieces

The consumer co-operative system is lining up its human and material resources to fight on three fronts: firstly, by up-grading the role and functions of the regional unions. These will collect information regarding members' needs and pass this upwards to the Central Co-operative Union, whilst also acting as central points for the marketing of goods and commodities to the primary co-operatives. Secondly, by organising new types of services such as food and catering chains and rent and leasing activities. Furthermore, they plan to expand the existing sectors of tourism and insurance services as well as production, purchase, processing and the sale of agricultural products. The restituted agricultural enterprises (dairies, canneries, wine and tobacco producers) will give a new impetus to this. Thirdly, by the adoption of a new approach regarding the distribution and utilisation of profits and investments, which will be used to create the motivation for further action. Members of primary societies will be given coupons corresponding to the volume of their purchases in the co-operative shops. The coupons will entitle the holders to dividends, which are reinvested in shares. Other projects will encourage members to save, and to deposit their savings within the co-operative system.

The new plans already being implemented by the consumer co-operatives have a good chance of success for several reasons: the consumer co-operative system owns a considerable amount of property and capital. Furthermore, it has a long experience in managing trading activities, and it can rely on new generations of members, managers and technicians' being trained within its educational system. Consumer societies are not isolated. They don't hesitate to seek advice from international organisations, such as the ICA, ILO, and EU, and national co-operative movements from the developed countries of Western Europe and North America. Legislative policy has also created the necessary framework for long-term programmes and activities.

This means that consumer co-operatives are ready to proceed without waiting for the completion of the restructuring and privatisation proc-

ess conducted by the State and municipalities. It can safely be said that consumer co-operatives have not only the ambition to be successful but also the capacity to realise their ambitions.

In addition, three other factors will determine the smooth development and efficient functioning of the Bulgarian co-operative sector:

1. The creation of a unified structure for all types of co-operatives (fourth degree apex organisation) for coordination, planning and defense purposes. Preparatory work is already in progress and basic guidelines are under discussion by all concerned;
2. The growth and consolidation of the co-operative saving, credit and deposit services. This will facilitate co-operative activities and will contribute to the relative financial autonomy of the co-operative sector. The key role in this matter will be that of the Central Co-operative Bank, which must attract a large membership among all types of co-operatives and also extend its services to the commercial sector. The Central Co-operative Bank should therefore prove that it has the capacity to provide financial support for the promotion of the country's co-operative movement;
3. The definition and role of labour and trade unions in the new context of privatised co-operative organisations and enterprises has not been adequately studied. Any weakening in the trade unions' voices regarding the role of workers in the process of privatisation may lead to further disputes between the labour force and management regarding the role and position of the former in the context of the privatised enterprises, including the use of hired workers who have no financial stake in the organisation.

Annex 1

Contact Organisations

Central Co-operative Union

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General Secretary: Kuzman Georgiev (Phone 875028)

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Fax: 87 81 57

Telex: 23220/23229

BULGARCOOP (CCU Foreign Trade Organisation)

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Phone: 87 68 30

Fax: 83 22 55

Telex: 23429/23604

NEKTARCOOP (Co-operative Enterprise)

Director: Dr. Stefan Stefanov

Address: 28 Srebarna, Sofia, Bulgaria

Phone: 62 61 07

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BILKOCOOP (Co-operative Enterprise)

Director: Vasil Gevrgiev

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Fax: 22 02 05

Telex: 23669

BENAX (Soft Drinks Factory)

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Central Union of Workers' Production Co-operatives

President: Stilian Balassopoulov

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Phone: 80 39 38

Fax: 87 03 20

Central Co-operative Bank

President: Katerina Zarkova

Deputy President: Georgi Georgiev

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Central Union of Handicapped Persons' Producer Co-operatives

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Union of Agricultural Co-operatives

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Ministry of Agriculture - Department of Land Reform

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Annex 2

The Main Laws and Decrees Concerning Co-operatives

1. Constitution of the Bulgarian Kingdom, adopted on 16/04/1879, Amendments on 15/05/1893 and 11/07/1911.
2. Decree of the Council of Ministers, 1887.
3. Commercial law confirmed by Decree No. 93 of 18/05/1897. State Gazette No. 114, 29/05/1897, chapter V (27 Articles which apply to societies).
4. Law on Co-operative Societies confirmed by Decree No. 16 of 17/02/1907 (Official Gazette No. 45, 02/02/1907), amended and completed by Law of 1911 published in the State Gazette No. 48, 04/03/1911.
5. Law on the Amalgamation of Co-operatives Societies, Official Gazette No. 54, 1945.
6. Constitution of the Republic of Bulgaria of 1947 (5 Articles on Co-operatives).
7. Law on Co-operatives, 1948. Official Gazette No. 282, 01/12/1947.
8. Law on Producers' and Handicraft Co-operatives, Official Gazette No. 47, 28/02/1949.
9. Decree Law on Co-operative Farms, Official Gazette No. 95, 25/04/1945.
10. Law on Co-operative Organisations, State Gazette 102/83, amended in 1989 and abrogated by clause 4 of the 1991 Co-operative Law.
11. Special ordinance of 1987 regarding small enterprises and shops owned by individuals and co-operatives.

12. Decree 56 of 1989 on Economic Activity, State Gazette 4/1989.
13. Decree 922 of 1989 on Land Use and Farming. State Gazette 39/1989, amended in 1990 and abrogated by clause 6 of the 1991 Co-operative Law.
14. Law on Ownership and use of Agricultural Land, January 1991, State Gazette 17/1991, since amended many times.
15. Rules for the application of the Law on Ownership and the Use of Land, 1991, State Gazette 34/1991, amended in September 1991 and April 1992.
16. Trade Act of June 1991, State Gazette 48/1991.
17. Constitution of the Republic of Bulgaria, 1991, State Gazette 56/1991 (Article 19, paragraphs 1 and 4 and Article 44, paragraph 1).
18. The Co-operative Law of July 1991, State Gazette 63/1991.
19. The Private Banking Law of 1991.
20. Ordinance 192 (October 1991) of the Council of Ministers on Conditions and Procedure for Returning to Co-operatives their Properties Confiscated by the State since 1944.
21. The Law of 1992 on the Economic Activity of Foreign Persons and the Protection of Foreign Investments, State Gazette 8/1992.
22. Law on Transformation and Privatisation of State and Municipally-owned Enterprises, May 1992, State Gazette 38/1992.

Annex 3

Co-operative Law of 1991 (*)

Chapter One - General Provisions

Definition

Article 1

1. A co-operative shall be a voluntary organisation of physical persons with variable capital and a variable number of members, who shall engage in economic and other activities based on mutual assistance and co-operation in order to promote their interests.
2. A co-operative shall be a corporate entity.

State Assistance and Promotion

Article 2

The State shall assist and promote the co-operatives by means of allowances against tax, favourable interest rates, lower customs duties and other economic concessions.

Item 5 of Article 37 is changed as follows: *“The co-operatives of handicapped citizens are relieved of the turnover tax on goods and services produced or rendered by themselves. Those registered after 1 July 1992 enjoy this relief by virtue of an order determined by the Council of Ministers.”*

* The following are amendments to the 1991 Co-operative Law, published in the Official Gazette No. 63/91.

Paragraph 1, Item 3 of the additional regulations is changed as follows:
“ The State, municipality and other firms and organisations must complete the restitution of co-operative property as detailed in item 1 within a term of 18 months after the law comes into force. The co-operatives and co-operative unions must present written requests to them within the same period of time” .

Paragraph 7, Item 2, of the previous and final enactments is cancelled.

Paragraph 8 of the previous and final enactments is cancelled.

Paragraph 9, sentence 2, of the previous and final enactments is changed as follows: *“their shares are determined by the years during which their land was part of the agricultural co-operative.”*

Chapter Two - Co-operatives

Section I - Constitution

Constitutional Procedure

Article 3

1. A co-operative shall be constituted by not fewer than seven responsible individuals whose constituent assembly shall resolve to constitute the co-operative, adopt its Statutes and elect its Board of Directors and Board of Controllers.
2. The Statutes shall establish:
 - i) the name, the registered address and the purpose of the co-operative;
 - ii) the eligibility, rights and obligations of its members;
 - iii) the managing bodies of the co-operative and their prerogatives;
 - iv) the procedure for passing resolutions;
 - v) the amount of the members' subscription and size of shareholding;

- vi) the conditions and procedure for the contribution of land;
 - vii) the distribution of income, profits or losses, funds, dividends and patronage and the land rent;
 - viii) the manner in which co-operative property may be disposed of;
 - ix) the grounds and procedure for the termination of membership.
3. The Statutes may further settle other matters insofar as these are not settled by the law.
 4. The Memorandum of Incorporation and the Statutes shall be signed by the founding members.

Registration

Article 4

A co-operative shall be registered with the district court nearest to its registered address by its Board of Directors. The application shall be accompanied by the following: 1) copies of the Memorandum of Incorporation and the Statutes; 2) specimens of the signatures of the co-operative's authorized representatives, witnessed by a public notary; 3) certificates for each member of the Board of Directors and Board of Controllers showing that none has a criminal record; 4) affidavits signed by the members of the Board of Directors and Board of Controllers to the effect that they are not related to one another by marriage and are not close blood relatives.

Incorporation

Article 5

A co-operative shall be incorporated on the day of its registration by the relevant district court.

Cancellation

Article 6

Should a co-operative fail to become a going concern within one year

of its registration, it shall be struck from the register at the request of the Public Prosecutor's Office.

Liability for Actions Preceding Incorporation

Article 7

An act performed on behalf of a co-operative prior to the date of its incorporation shall give rise to rights and obligations on the part of the said co-operative if carried out by persons duly authorized by the founding members. In the absence of such an authorization, the individuals concerned will be held severally and jointly liable for any obligations thus assumed. Should a co-operative fail to be incorporated, all founding members shall bear joint liability except those who have refused to issue authorization.

Section II - Membership, Rights and Obligations

Membership

Article 8

1. Anyone who subscribes to a co-operative's Statutes and is above the age of 16 or, if a student, the age of 15, is eligible for membership.
2. Simultaneous membership of more than one co-operative is permitted.

Admission of New Members

Article 9

1. Prospective members must submit a written application to be reviewed by the Board of Directors at its next meeting or, if this is less than 14 days after receipt of the application, at its second earliest meeting.
2. The resolution of the Board of Directors requires the endorsement of the General Meeting.

3. On refusal by the Board of Directors to approve an application, an appeal may be made to the General Meeting within 14 days of receiving written notice of the refusal. Should the General Meeting overrule the Board of Directors, the applicant shall be considered admitted as of the date of the General Meeting's resolution.
4. Should an applicant fail to appeal within the time established by paragraph 3, or should the General Meeting confirm the refusal, the applicant may not file a new application for membership until one year has elapsed.
5. All newly-admitted members are to be recorded in the register of members.

Rights of Members

Article 10

1. A member of a co-operative shall have the following rights:
 - i) to participate in, and benefit from, the co-operative's activity;
 - ii) to participate in and vote at its General Meeting, and be elected to the managing bodies of the co-operative;
 - iii) to question its managing bodies as to their failures to implement adopted resolutions, and to have access to all information concerning his own interests;
 - iv) to seek the overturning of any resolutions or actions of the co-operative's bodies which contravene the Law or its Statutes or are inappropriate;
 - v) to receive a dividend;
 - vi) to reclaim his or her share of the founding capital upon termination of membership;

- vii) to receive social security and medical services in accordance with the law.
2. A co-operative member who has contributed land shall also enjoy the following rights:
 - i) to retain ownership of the land as real estate or in the form of shares of equal value;
 - ii) to retain ownership of crops grown on the contributed land;
 - iii) to sell his or her land to other members of the co-operative;
 - iv) to receive rent on any land thus contributed;
 - v) to receive part of this rent in the form of farm produce.
 3. A member of a producers' co-operative shall have the right to be employed there in a job befitting his skills and age.

Obligations of Members

Article 11

1. A member of a co-operative shall observe its Statutes and the resolutions of its managing bodies.
2. A member under legal age shall pay in his share of the capital pursuant to the provisions of the Persons and Family Act.

Employment Relations and Social Security

Article 12

1. The employment relations, medical care and social security of non-members employed by a co-operative shall be settled in accordance with the legislation currently in force.
2. Control over the observance of employment, medical and social security legislation by a co-operative shall be exercised by a social affairs committee elected by the General Meeting.

Discipline

Article 13

1. A member may be given a reprimand or notice of expulsion for failure to carry out his obligations to the co-operative.
2. The reprimand or notice of expulsion is to be issued by the Board of Directors.

Termination of Membership

Article 14

1. Membership of a co-operative shall cease upon any of the following occurrences:
 - i) withdrawal from the co-operative;
 - ii) joining of another co-operative by a procedure established in the Statutes;
 - iii) expulsion;
 - iv) death.
2. Membership shall cease upon termination of the co-operative by liquidation.

Expulsion of Members

Article 15

1. A co-operative shall be free to expel a member for an intentional violation of the law, the Statutes or the resolutions of the co-operative's managing bodies.
2. The Board of Directors shall be free to suspend a member prior to a final ruling on his expulsion by the General Meeting. The member shall be invited to attend the meeting.

Material Consequences

Article 16

1. The share of a former member shall be reimbursed to him or his heirs after the approval of the co-operative's annual balance sheet.
2. The amount of a reimbursed share shall be preserved, unless the Statutes provide otherwise.
3. A former member who has contributed land and has retained ownership of an equivalent share, or that member's heirs, shall be reimbursed with land equal in quantity and quality to that originally contributed.
4. The right to reimbursement of a share shall expire after five years, and the right to a dividend, after three.

Section III - Managing Bodies

I. General Meeting - Membership and Prerogatives

Article 17

1. The General Meeting of a co-operative shall consist of all its members. A co-operative with a very large membership, or operating in several communities, shall be free to establish instead a Meeting of Plenipotentiaries elected by a secret ballot. The number of plenipotentiaries shall not be less than one hundred. A Meeting of Plenipotentiaries shall enjoy all rights vested in a General Meeting.
2. A General Meeting shall:
 - i) draw up, adopt and amend the Statutes;
 - ii) elect and dismiss the Chairman of the co-operative;

- iii) establish the number of members of the Board or Directors and the Board of Controllers, and elect these by secret ballot;
 - iv) approve the annual report of the Board of Directors and, after hearing the report of the Board of Controllers, the balance sheet and the distribution of income;
 - v) approve the report of the Board of Controllers;
 - vi) resolve on the joining or withdrawal from a co-operative alliance and on the purposes thereof;
 - vii) elect delegates, to the General Meeting (Congress) of the co-operative alliance of which the co-operative is a member;
 - viii) approve any cancellation of cash debts to the co-operative, or their rescheduling;
 - ix) approve any disposal of co-operative-owned fixed assets;
 - x) endorse the Board of Directors' resolution on the admission of new members or, on overturning such a resolution, terminate membership as of the date of the meeting;
 - xi) expel members;
 - xii) approve any voluntary capital raising among the members;
 - xiii) rescind resolutions or acts of the other managing bodies of the co-operative which it considers to be contrary to the law or the Statutes, or to be inexpedient;
 - xiv) resolve any questions arising from the results of an audit of the co-operative;
 - xv) be responsible for the final decision regarding the reconstruction or termination of the co-operative, or an application for its liquidation.
3. The General Meeting shall be competent to make decisions on all matters pertaining to the co-operative and its activities, even when not expressly authorized by Law or by the Statutes.

Convocation

Article 18

1. A General Meeting shall be convened by the Board of Directors upon a written invitation communicated by the procedure established in the Statutes. The invitation shall indicate the agenda, the day, time and venue of the General Meeting. A General Meeting may only decide on matters not indicated on the invitation if it is attended by all members and the decision is passed unanimously.

2. A General Meeting shall be convened as follows:

- i) regularly, once a year, to hear a report on the co-operative's activity;
- ii) extraordinarily, by a resolution of the Board of Directors, or as the result of a motion by the Board of Controllers or by one-third of the members of the co-operative. Should the Board of Directors fail to convene a General Meeting, this shall be done by the Board of Controllers, or by one-third of the members of the co-operative.
- iii) The Board of Directors shall convene the General Meeting on any matter within the General Meeting's exclusive competence within fourteen days of a request to do so. Should the Board of Directors fail to do this, the General Meeting shall be convened according to the procedure established under paragraph 2.

Quorum

Article 19

1. A General Meeting shall be legitimate if attended by more than half of its members. A General Meeting convened to adopt the Statutes, or to resolve on the reconstruction or liquidation of a co-operative, shall be legitimate if attended by more than two-thirds of its members.

2. In the absence of the required number of members, the meeting shall be postponed and shall be held seven days later with the same agenda. Should a quorum still be lacking, the meeting shall open one hour later, regardless of the number of members attending.

Resolutions

Article 20

1. Resolutions of the General Meeting shall require a simple majority vote by those present, unless otherwise provided by the Statutes.
2. Resolutions pursuant to Article 17, paragraph 2, subparagraphs 1, 3, 7, 8, 9, 10 and 14 shall require a majority of two-thirds of all members.
3. Voting at a General Meeting shall be by a show of hands, except when provided otherwise by law. A General Meeting may resolve to hold votes by secret ballot for some matters.

Voting Rights

Article 21

Each member shall be entitled to one vote, which shall be cast personally, regardless of his share of the nominal capital.

II. Board of Directors - Composition

Article 22

1. The members of a Board of Directors shall be elected from amongst the membership and will serve for a term of three years. A new Board of Directors shall have among its members not more than two thirds of those who served on the outgoing Board.

2. Those ineligible for election to the Board of Directors are:
 - i) anyone under 18 years of age, with the exception of students in school co-operatives;
 - ii) anyone prohibited from occupying a managerial, accounting or materially liable post;
 - iii) anyone married to, or closely related to, another member of the Board of Directors or the Board of Controllers;
 - iv) or anyone placed under a legal interdiction.

Prerogatives

Article 23

1. The Board of Directors shall implement the resolutions of the General Meeting, direct the activities of the co-operative and perform any other functions entrusted to it by the law or the Statutes. It shall report to the General Meeting.
2. The Board of Directors shall be free to appoint an Executive Director and other executives, whenever this is permitted by the Statutes.
3. The Board of Directors shall be free to set up commissions, councils and other auxiliary bodies to assist it in its work.

Convocation

Article 24

1. Meetings of the Board of Directors shall be convened by its Chairman at least once a month. He/she must also call a meeting of the Board of Directors within seven days of a request to do so by one-third of its members. Should he/she fail to do this, the meeting shall be convened by the Board of Controllers.

2. The decisions of the Board of Directors shall be legitimate if a meeting is attended by at least two-thirds of its members.

Resolutions

Article 25

Resolutions of the Board of Directors shall be passed by a show of hands and require a simple majority of its members, unless otherwise dictated by the Statutes.

Liability

Article 26

Members of the Board of Directors shall be jointly liable for any damages caused by them to the co-operative.

Court Representation

Article 27

In a judicial dispute between a co-operative and the members of its Board of Directors, the co-operative may be represented by one or several persons elected by the General Meeting.

III. Chairman

Article 28

1. The Chairman of a co-operative shall also serve as Chairman of the Board of Directors, in which he shall be entitled to an ordinary vote.
2. The Chairman of a co-operative shall:
 - i) represent the co-operative;
 - ii) organise the implementation of the resolutions passed by the General Meeting and Board of Directors;
 - iii) manage the day-to-day activities of the co-operative.

IV. Board of Controllers - Composition

Article 29

1. The members of a Board of Controllers shall be elected from the co-operative's members and will serve for a period of three years. The Board of Controllers shall elect a Chairman from its members.
2. Any person prohibited by virtue of Article 22, paragraph 2, or any member of the co-operative who in the previous year has occupied a post of material or accounting responsibility or who sat on the Board of Directors, shall be ineligible for election to the Board of Controllers.

Prerogatives

Article 30

1. A Board of Controllers shall control the activities of the co-operative and report to its General Meeting.
2. A member of the Board of Controllers shall be free to attend the meetings of the Board of Directors and shall be entitled to a deciding vote.
3. A member of the Board of Controllers shall enjoy the authority of an auditor, provided he meets the professional requirements.
4. The Board of Controllers shall convene the General Meeting whenever it uncovers an important violation of the Law or Statutes by the Board of Directors.
5. The provisions of Article 26 shall also apply to the members of the Board of Controllers.

Section IV - Property, Distribution of Income, Taxation

Property

Article 31

1. If a co-operative owns, or has other material rights over long-term and short-term assets, trademarks, industrial prototypes, licences, securities, company stock and debtors, these are regarded as co-operative property.
2. A co-operative's property shall be exclusively managed by its members through their elected bodies.
3. No object owned by a co-operative shall be acquirable by virtue of a limitation.

Sources of income

Article 32

A co-operative shall have the following sources of income:

1. members' subscriptions,
2. members' paid-up capital,
3. additional capital contributions by members,
4. business earnings,
5. loans,
6. other income.

Payments by Members

Article 33

1. Each member of a co-operative shall pay a subscription fee and his share of the called-up capital, the amount of which is established by the statutes.
2. The total of paid-up capital shall form the capital of the co-op.

3. Evidence of ownership over land contributed to a co-operative shall be in the form of a deed or a final ruling of the municipal land commission. A memorandum of land contribution shall be signed by the contributing member and the Chairman of the Board of Directors, and shall be recorded in the public notary's register.
4. A member's share of capital shall be exempt from distraint or confiscation.
5. Members shall be free to extend loans to a co-operative. These shall not be considered part of its capital.
6. The interest rate on such loans shall be established by the co-operative's General Meeting.

Material Liability of Co-operatives

Article 34

1. A co-operative shall be held liable to the extent of its assets.
2. A member of a co-operative shall be held liable to the extent of his/her share.

Distribution of Income, Profit and Losses

Article 35

1. A co-operative shall keep its books in accordance with the Accountancy Act.
2. The distribution of income, profit and losses, the nature of a co-operative's cash funds and the manner in which they are maintained and spent shall be established by its General Meeting.
3. The amounts set aside for the different cash funds shall be charged to the co-operative's income. The residual income shall be dis-

tributed to members as dividends following a resolution of the General Meeting.

Co-operative Funds

Article 36

1. A co-operative shall maintain a contingency reserve, and any other cash funds established by the General Meeting.
2. A portion of the income established by the General meeting, and amounting to not less than 20 per cent of the co-operative's capital, shall be deducted each year towards its contingency reserve.
3. Any loss reported by a co-operative during a calendar year shall be charged either against its contingency reserve or against future profits by virtue of a resolution of its General Meeting.

Taxes and Tax Concessions

Article 37

1. A co-operative shall pay to the State any taxes on turnover, customs and excise duties established by the law.
2. A co-operative shall be exempt of any tax or duty related to its incorporation, reconstruction, winding-up or liquidation.
3. A co-operative member shall be exempt from any tax or duty on paid-in capital and the relevant transfer of rights.
4. Any dividend reinvested by a member in the co-operative shall be exempt from tax.
5. A co-operative of disabled persons or students shall be exempt of any tax or duty.

6. The Council of Ministers shall be free to introduce, at its discretion, tax concessions or exemptions concerning certain co-operative activities and the regions in which they are performed.

Saving and Loan Activities

Article 38

A co-operative shall be free to engage in savings and loan activities by virtue of a resolution of its General Meeting.

Mutual Assurance Society

Article 39

1. A co-operative shall be free to set up a mutual assurance society for its members.
2. A mutual assurance society shall be viewed as a corporate entity by virtue of the opening of a separate bank account.
3. This Law shall also apply to the co-operative's mutual assurance society.

Section V - Reconstruction, Termination, Liquidation

Reconstruction

Article 40

1. The terms of any merger or amalgamation of co-operatives shall be negotiable between their Boards of Directors, subject to approval by their General Meetings.
2. Any division of, or separation from, a co-operative shall require the approval of its General Meeting.

De Jure Membership

Article 41

Members of amalgamating co-operatives shall acquire membership in the new co-operative; members of dividing co-operatives shall acquire membership in the newly-formed co-operatives.

Liability Following Reconstruction

Article 42

1. Co-operatives formed as the result of a division shall bear joint liability for the obligations of the original co-operative.
2. A co-operative formed as a result of a separation shall bear joint liability with the original co-operative for any prior obligations.

Termination of Co-operative

Article 43

1. A co-operative shall be terminated:
 - i) by a resolution of the General Meeting;
 - ii) by a district court ruling sought by the Office of the Public Prosecutor whenever the co-operative:
 - a. pursues aims prohibited by law, or engages in prohibited economic activity;
 - b. has been left with fewer members than the established minimum and has failed to gain the required number of new members within a period of six months.
 - iii) upon expiry of the term for which it had been set up, or as otherwise provided for in the Statutes;
 - iv) upon declaring insolvency.
2. A terminated co-operative shall be placed in liquidation.

Liquidators

Article 44

1. Upon terminating the activity of a co-operative, the General Meeting shall appoint a liquidator, or a three-member board of liquidators, and shall establish the liquidation period. A liquidator does not have to be a member of the co-operative.
2. In the case of a court-ordered liquidation, the liquidators and the liquidation period shall be established by the court.
3. Any person excluded from membership of the Board of Directors under Article 22, paragraph 2 above shall be ineligible to serve as liquidator.

Effect of Termination and Liquidation

Article 45

1. The termination of a co-operative and its placement into liquidation shall be subject to registration.
2. The termination and liquidation of a co-operative shall take effect from the day on which the ruling concerning the registration is promulgated.

Rights and Obligations of Liquidators

Article 46

1. Liquidators shall have the rights and obligations of the Board of Directors. A co-operative shall be represented by the liquidator or, in the case of a board of liquidators, by a board member appointed by the General Meeting or the court.
2. Liquidators shall wind up the day-to-day operations of the co-operative, convert its property into cash, collect its receivable income and settle its liabilities.
3. Liquidators shall be free to terminate contracts concluded by the co-operative prior to its going into liquidation, and to compen-

sate the other parties for any damages suffered. Such compensation shall be settled on the same terms as the other debts of the co-operative.

Creditors' Claims

Article 47

1. The creditors of a co-operative in the process of liquidation shall lodge with the liquidators all claims, regardless of origin, security or ease of execution, within one month from the day of the promulgation referred to under Article 45, paragraph 2.
2. The Liquidators shall write to all creditors for whom an address is held to inform them how they may lodge their claims.
3. Liquidators shall notify creditors of any disputed claims by the procedure described under the preceding paragraph. Should such a creditor file a claim within one month of receipt of the said notification, the liquidators shall enter into such claims as disputed liabilities in the liquidation balance sheet.

Satisfaction of Creditors

Article 48

1. Should the property of a co-operative prove insufficient to satisfy all creditors, the liquidators shall satisfy the privileged claims in accordance with their order, and the remainder shall be used to satisfy the other claims in proportion to their size.
2. A creditor who has failed to lodge a claim within the established time may be repaid with funds left over from the distribution.
3. Members' shares shall be reimbursed only after all other liabilities have been settled. Should the residue prove sufficient, it shall be distributed proportionally to each member's share.

Execution

Article 49

There shall be no separate claim against the property of a co-operative in liquidation.

Winding Up of a Co-operative

Article 50

1. The liquidators shall report to the General Meeting on the final distribution of the property, and the General Meeting shall then resolve to wind up the co-operative.
2. In a court-ordered termination, the liquidators shall submit their report to the court, which shall order the winding up of the co-operative.
3. The liquidators shall request the court to register a resolution pursuant to paragraphs 1 or 2 within seven days from its passage.

Disposal of Residual Assets

Article 51

Any residual assets from the liquidation of a co-operative shall be distributed among its members in proportion to each member's share, except when provided otherwise by its Statutes.

Perpetuation of Terminated Co-operative

Article 52

Should a co-operative be terminated by a resolution of its General Meeting, the latter shall be free to resolve on continuing its activity until the conclusion of the liquidation. The General Meeting shall then conduct an election pursuant to Article 18, paragraph 2, subparagraphs 2 and 3, and shall register that resolution with the court.

Liquidators' Costs

Article 53

The costs of the liquidators shall be approved by the body established pursuant to Article 50 and shall be born by the co-operative. Such costs must be paid prior to the settlement of any other debts.

Liability of Liquidators

Article 54

Liquidators shall bear joint liability for any damages caused to a co-operative.

Section VI Co-operative Enterprise

Constitution, Reconstruction and Termination

Article 55

1. A co-operative shall be free to constitute co-operative enterprises for particular economic activities.
2. A co-operative enterprise may be a corporate entity.
3. A co-operative enterprise shall be constituted, reconstructed or terminated by a resolution of the co-operative's General Meeting. The relevant resolution shall establish the name, registered address, purpose and the assets placed at the disposal of the co-operative enterprise.
4. The regulations concerning the structure and activities of an enterprise shall be approved by the co-operative's Board of Directors.

Assets belonging to an Enterprise

Article 56

1. The assets of an enterprise shall be owned by the founding co-operative, which shall use and dispose of them in accordance with the established regulations.

2. The manner in which an enterprise's income is to be distributed shall be established by the enterprise's founding body.

Enterprise Manager

Article 57

An enterprise shall be represented by its manager, who shall be appointed and dismissed by the Board of Directors of the founding co-operative.

Chapter Three

Joint Co-operative Enterprises

Constitution

Article 58

1. Co-operatives shall be free to constitute joint co-operative enterprises which engage in activities of common interest.
2. The General Meetings of the co-operatives referred to in paragraph 1 shall decide the constitution of a joint co-operative enterprise and shall elect plenipotentiaries to its constituent assembly.
3. A joint co-operative enterprise shall be regarded as an independent corporate entity.

Reference

Article 59

The provisions of Chapters Two and Five shall apply to all matters pertaining to the joint co-operative enterprise which are not settled by this Chapter.

Chapter Four

Co-operative Alliances

Constitution

Article 60

1. By virtue of a resolution of their general meetings co-operatives shall be free to join any territorial, sectorial or other alliance.
2. A co-operative alliance shall consist of at least two co-operatives.
3. Co-operative alliances shall be free to form their own unions or federations.

Functions

Article 61

A co-operative alliance shall:

1. assist its members in the attainment of their goals and objectives;
2. evolve guidelines for the development of co-operative activity;
3. defend the interests of its members in dealings with the State, public and other bodies and organisations;
4. engage in any other functions established by its Statutes.

Managing bodies

Article 62

1. A co-operative alliance shall have the following managing bodies: a General Meeting, a Board of Directors, a Chairman, and a Board of Controllers. The members of the Board of Directors shall be elected by the General Meeting for a term of three years.

2. If provided for by the Statutes, the Board of Directors shall elect from among its members an Executive Committee and shall further establish that Committee's prerogatives and procedures for passing resolutions.
3. The General Meeting of a co-operative alliance shall consist of authorized plenipotentiaries elected by the general meetings of the constituent co-operative organisations as established by its Statutes.

Cash Funds

Article 63

1. A co-operative alliance shall be free to set up cash funds for the purpose of mutual assistance, education, occupational training etc.
2. Such cash funds shall be set up by a resolution of the alliance's General Meeting.

Chapter Five

Judicial Control

Grounds and Procedure

Article 64

1. The district court at which a co-operative has its registered address shall be free to enjoin any resolution or act of a co-operative's managing body should it find the co-operative in contravention of the law or the Statutes.
2. The injunction may be sought by any member of the co-operative, by its Board of Controllers, or by the Office of the Public Prosecutor.

3. A member of the co-operative shall be free to file a suit pursuant to the preceding paragraph within two weeks of the day of the resolution or, in the case of a resolution passed in his absence, within two weeks of the day of finding out or receiving notification. In a suit seeking injunction of an act, the fourteen-day period shall begin on the day on which the member of the co-operative acquires knowledge thereof. In any case, a suit may be filed within a year from the date of the passage of the contested resolution or the committing of the contested act.
4. A co-operative's Board of Controllers shall be free to seek an injunction within two weeks of the passage of a resolution or committing of an act.

Court Ruling

Article 65

1. The court shall be free to annul a resolution or act in its entirety or in part, or to deny action thereof.
2. The court's ruling shall be subject to appeal according to the generally-established procedure.

Joining an Existing Suit

Article 66

1. Any other member of the co-operative or the Board of Controllers shall also be free to join the suit and shall be free to press the claim after it is waived by the original claimant.
2. In a suit filed against a resolution or action by a co-operative's managing body, a member shall be free to seek compensation for material damages caused by any violation of his or her rights by the said resolution or act.

Suspension of Execution

Article 67

The district court shall be free to suspend the execution of a resolution or act against which a suit has been lodged pending its own ruling.

Additional Provisions

Clause 1

1. The rights of existing and restored co-operatives over any property confiscated or nationalized after 10 September, 1944 are hereby reinstated.
2. Evidence of ownership of such property shall be in the form of deeds, protocols, balance sheets, receipts for taxes, duties or insurance premiums, court decisions or other written evidence. In the absence of such evidence, ownership shall be claimed by the generally-established procedure. No stamp duty shall be paid on legal proceedings connected with such claims.
3. All State, municipal and other companies and organisations shall reinstate such co-operative property within six months of the date on which this Law comes into effect.
4. The terms and procedure for the reinstatement of property shall be established by the Council of Ministers.

Clause 2

1. All property of the co-operatives alliances owned at the time of the passage of this Law shall be divided among their constituent co-operatives in proportion to their stock (contributions) in the alliance's funds. A recipient co-operative shall dispose of such property in accordance with this Law.

2. Resolutions concerning the distribution of property pursuant to paragraph 1 shall be passed by the general meeting of the respective alliance.
3. The general meeting of a co-operative alliance shall resolve on what portion of these funds shall be transformed into cash funds of the alliance pursuant to Article 63 of this Law.

Clause 3

A co-operative which receives stock or cash pursuant to Clause 2 shall place such assets in its contingency reserve.

Transitional and Concluding Provisions

Clause 4

This Law shall supersede the Law on Co-operative Organisations (published in Durzhaven Vestnik No 102/1983, amended in No. 46/1989).

Clause 5

Obligations pursuant to Clauses 2 and 3 of the Additional Provisions of this Law shall be settled within six months from the date on which this Law comes into effect.

Clause 6

This Law shall supersede Decree No. 922 of 1989 Concerning Land Use and Farming (published in Durzhaven Vestnik No. 39/1989, amended in No. 10/1990).

Clause 7

1. An organisation constituted and incorporated by virtue of Decree 922 shall acquire the statute of a co-operative in the sense of this Law if incorporated prior to 1 March, 1992.
2. The incorporation of a newly-constituted co-operative shall not require a resolution of the general meeting of the organization in the sense of paragraph 1.

Clause 8

The following shall be entitled to a vote at a general meeting convened to establish the rent for and the share in the property of an organization in the sense of Clause 7, paragraph 1:

1. a member of the co-operative, or an attorney of his/her heirs;
2. a non-member owner of land cultivated by a farming organization, or an attorney of his/her heirs;
3. a person who has been in the employment of the farming organization for not less than five years on the date on which this Law comes into effect.

Clause 9

A land owner or his/her heirs shall be entitled to a share of the property of a co-operative farm, even if he/she was not a member of that farm for the years during which his/her land has been cultivated by it.

Clause 10

The owner of land and of a share of the property of a co-operative farm shall be entitled to rent and dividends from the date on which the Farmland Ownership and Use Act comes into force.

This Law was passed by the Grand National Assembly on 19 July, 1991, and is sealed with the State Seal.

Nikolai Todorov
Chairman
Grand National Assembly

Annex 4

Ordinance 192 of 1st October 1991 of the Council of Ministers

(as amended and completed in 1993, regarding the conditions and procedure for returning to co-operatives properties which were confiscated by the State after 10th September 1944)

Article 1

1. Regarding the return of property confiscated by the State after 10 September 1944, existing reinstated co-operatives and co-operative unions should apply for the return of such property within 18 months of the Co-operative Law's coming into effect. Property rights are certified by notarial acts, and when these are missing by court decision, balance sheets, protocols and decisions of co-operative bodies, receipts paid for taxes or premiums, cadastral plans, act books for State-owned properties and other written evidence including statements from State-owned and party bodies which have served as a proof of confiscation and containing information regarding the individual buildings.
2. The demand must be addressed to:
 - i) The respective Ministry or other organisation when the property is in hands of State firm or individual trade association with State-owned property;
 - ii) The mayor of the municipality when a municipal firm is the current owner.
3. The President of the liquidation council, when the property is owned by the organisations according to paragraph 12 from the previous final Decrees regarding Ownership Law and the use of agricultural land.

4. All other cases should follow the general procedure: the demand is addressed to the regional court in the area where the property is situated.
5. Within one month of their receipt of the demand, the head of the respective Ministry, other institutions or the mayor of the municipality should issue an order for returning the property or refuse to do so in writing. An appeal against such a refusal may be made to the supreme court within seven days in the case of an appeal against the decision of a minister, head of certain institutions, mayor of the municipality or the President of the liquidating council. In other cases, the appeal is made to the regional court responsible according to Article 36 of the Law governing administrative procedures.
6. When the bodies defined under clauses 1 and 2 of paragraph 2 do not give an answer within the determined period of time, this is considered as silent refusal according to Article 22, paragraph 2 of the Law for administrative procedures, and can be appealed against under the same law. In the established State affairs the two-week time limit starts as from the date on which this Decree comes into force.
7. The return of co-operative property, real estate and liquid assets is carried out free of charge, and payment for any assets which can not be returned is in accordance with their value since the date on which the Law on Co-operatives became effective.

Article 2

1. Where there are properties which were improved with State funding during their confiscation, such improvements are included free of charge. In the case of State investments, the improvements are paid for according to their value since the date on which the law became effective.

2. In those cases where the improvements exceed the value of the property in question, the co-operative can agree to rent it. When it has been destroyed, or can not be separated or expropriated, the property is restored as a share in the whole property or compensation given (land or money) according to the choice of the co-operative organisation.
3. When there is no agreement as in the previous paragraphs, the disputes are solved according to the general procedure for claiming.

Article 3

1. The payment for property and the improvements may take place over a period of up to five years, with a possibility for mortgages to be taken out to cover longer repayment periods.
2. Return and acceptance of the real estate are certified by inventory protocol. Based on this, the municipal councils are dealing in real estate and the co-operatives receive notarial acts for it without paying taxes.

Article 4

1. If the dispute is not completely settled, no orders may be issued for the disputed property on behalf of the co-operative organisation.
2. The order of the Minister, the head of an institution or the Mayor of the municipality, is executed according to the Law governing administrative procedures.
3. The director of the State-owned/municipal/economic organisation complies with the order, or the court decides within 14 days.

4. When an order for the return of co-operative property is not observed, the official employee considered guilty should bear responsibility according to Article 32 of the Law dealing with administrative failures and penalties. The Ministers, heads of institutions and mayors of municipalities issue penalty Decrees based on acts established by such official employees.
5. In the case where property is thus retained, the co-operative or co-operative union has the right of indemnity for damage caused or profits missed.

Annex 5

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