



International
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Cooperative Sector in Russia and the Implementation of the ILO Recommendation No.193 in the Development of Different Russian Cooperative Trends



Analytical report

ISBN 978-92-2-022153-2 (print)
ISBN 978-92-2-022154-9 (web pdf)

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Cooperative Branch
International Labour Office
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First published in 2009

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ILO Cataloguing in Publication Data

Cooperative Sector in Russia and the Implementation of the ILO Recommendation No. 193 in the development of different Russian cooperative trends. Analytical report / International Labour Office. – Moscow: ILO, 2009
ISBN: 9789220221532; 9789220221549 (WEB PDF) International Labour Office / cooperative / cooperative development / cooperative legislation / ILO Recommendation / comment / application / Russian Federation 03.05

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Printed in Russia.

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The present report contains a systematic description of the formation of the cooperative sector in the Russian Federation. It is prepared on the basis of a study, analysis, and summary of the activity of the State Duma of Russia, the Federation Council of Russia, the RF Government, federal and regional cooperative structures, and various types of cooperatives for the period from 2002 to the present day.

The main purpose of this paper is to analyze the implementation of the ILO Recommendation No.193, and the current situation with regard to the cooperative sector of Russia. The report describes basic types of cooperatives in Russia, and the emergence and structuring of different trends of their development, with bringing up concrete data and indices, illustrating these trends. The role of the state and state policy, along with changes in the cooperative legislation, the role of employers' and workers' organisations, international cooperation and participation in the international cooperative movement, as well as the role of cooperatives in eliminating poverty and gender inequality, was also the subject of this research.

The author would like to express a great gratitude and sincere appreciation for rendering assistance, supply of information and support in the course of preparing this report to:

- ✓ Hagen Henry, chief of ILO COOP Branch, Geneva;
- ✓ Igor Vokatch-Boldyrev, specialist, ILO COOP Branch, Geneva;
- ✓ Martina Lubyova, Senior Specialist, ILO Subregional Office for Eastern Europe and Central Asia;
- ✓ Victoria Miteva, ILO Subregional Office for Eastern Europe and Central Asia;
- ✓ Vladimir Pakhomov, general manager of the Rural Credit Cooperative Development Fund, Moscow;
- ✓ Galina Kryajeva, director, the Union of Agricultural Cooperatives of Yaroslavl Region, Yaroslavl;
- ✓ Vadim Kalinichev, general director of League of Credit Unions of Russia.

Alexandre Ptitsin

Introduction



Over the last five years, since the Recommendation No.193 on the promotion of cooperatives was adopted at the International Labour Conference, the cooperative movement in Russia underwent considerable transformations. While in the 1990-s a gradual formation process and the separation of individual types of cooperatives took place, the latest years have been characterized by the change of internal substance and functionality of cooperative organisations. In the latest history of Russia (1998 – 2008) one can mark out several stages in cooperative development.

1. A period of the creation of cooperatives of a new kind, different from those which existed in the USSR
2. The formation and build-up of primary cooperatives
3. The beginning of uniting cooperatives in different structures
4. The formation and strengthening of the cooperative system, both in quantitative and qualitative formats
5. The development of vertical and horizontal cooperative integration
6. Active interrelations between cooperatives and the state

All these stages were characterized by certain difficulties and successes, without which it would be impossible to attain the present level of development. From a great variety of cooperatives, more successful structures began to evolve, which, in their own turn, began to influence the adoption of new legislative initiatives, and to draw the Government's attention to the fact, that the cooperative movement has become an integral part of the Russian economy, and that it has become impossible not to notice this trend.

With all that diversity of cooperative systems in Russia, certain cooperative segments can be singled out, in particular, agricultural producers' and consumers' cooperatives, credit cooperatives; consumers' cooperation (consumers' societies represented by the Centrosoyuz of Russia); housing cooperatives, dacha and horticultural cooperatives; producers' cooperatives.

Cooperatives in agriculture. The present situation at the Russian market, with high prices for machinery, fuel, implements, spare parts, fertilizes and chemicals, hinders efficient development of agricultural production. For example, to buy a ton of diesel fuel, one has to sell five tons of grain.



Great difficulties arise with regard to marketing agricultural produce: wholesale traders and middle-men buy out agricultural products at low prices, since an independent entering the market by farmers turns out to be difficult and even dangerous.

To solve these problems, agricultural producers began to unite and create their own infrastructure, processing facilities and systems for marketing.

The number of agricultural production cooperatives is growing, thanks to the Federal Law “On Agricultural Cooperation”, adopted in 1995. At present, there are about 12 thousand of such cooperatives in 60 regions of the Russian Federation.

On November 29, 2005, the President of Russia pointed out at the meeting of the Council for the Implementation of the National Projects, that interests of peasantry must be regarded as the highest priority, in creating tools for subsidizing credit interest rates, in the formation of agricultural cooperatives and the system of land mortgage crediting. As a partial measure for the implementation of the Priority Agrarian Project in 2006, an amount of 19.2 billion rubles was allocated from the federal budget for the development of agriculture. From this amount, 5 billion were spent to compensate peasants’ losses because of growing prices for energy resources. About 7 billion rubles were designated for the development of cattle-breeding branch, with a view of subsidizing part of the interest rates on long-term loans borrowed for the construction and modernization of cattle-breeding complexes, and for purchasing implements and pedigree cattle. For the first time a 100 per cent subsidizing of the interest rates on loans is hoped to be introduced in practice. 95 per cent of the means were allocated from the federal budget, and 5 per cent – from regional budgets.

Credit cooperatives. According to estimates of the Russian Centre for Micro-Financing, at least 4 million of legal entities and individual entrepreneurs out of 6 million of registered small-business enterprises experience the need for crediting.

Practice proves, that credit consumer cooperatives are efficient institutions working in this field, and they are noticeably becoming the most attractive financial organisations for people. The existing financial and credit infrastructure in the country is represented mainly by commercial banks and it is oriented to those business structures which have solid enforcement of security on borrowed means. As far as the beginner’s small business is concerned, credit consumer cooperatives may offer and do offer real help to them.

At present, over one thousand of credit cooperatives actively function in the Russian Federation; a system of agricultural credit cooperatives, and another system of consumers’ credit cooperatives of citizens are developing. Very often, agricultural credit cooperatives, in addition to the provision of loans to their members, also protect their economic interests, by assisting them in the organisation of the production process and in marketing produce and services.

Consumers’ cooperation (system of Centrosoyuz). Consumers’ societies secure permanent jobs for almost 300 thousand people. For all the times of the existence of the consumers’ cooperation, its basic element was social appeal, rather than profit. Today the consumers’ cooperatives also concentrate on social objectives. The Centrosoyuz was active in lobbying the adoption of a number of laws on consumers’ cooperation. Millions of members living in the country-side have acquired anew their rights, of which they were deprived in the course of reforms accompanied by imprudent decisions. Now consumers’ cooperatives run over 7 thousand of hair-dressing saloons, about 11 thousand clothes and footwear repair shops, 2,3 thousand enterprises engaged in housing construction and renovation, 4,3 thousand household appliances repair shops, over one thousand of pharmacies.

Housing cooperatives. More than 60 per cent of Russian citizens need to improve their housing conditions, but only 9 per cent are capable to acquire, or to construct accommodation at the



expense of their own means, or through mortgage. Banks set up high interest rates for mortgage loans, procedures for borrowing are complicated, the majority of citizens doesn't have a credit history without which banks are reluctant to issue loans.

However, for many families the road to acquiring housing becomes much shorter, through the accumulation of means and the formations of savings by organisations working on the principle of mutual financing, practiced in 82 cities and towns of 68 regions of Russia. A system of All-Russian Program "Joint Construction", for example, envisages certification, preparing of unified documents, creating services for the protection of rights of citizens and organisations. The core and financial foundation of the Program is its All-Russian Reserve Fund, formed through uniting reserve funds of consumers' and mortgage cooperatives under the auspices of the Guild of Popular Cooperatives of Russia.

The involvement of citizens into participatory housing construction, and in housing accumulation programs has already resulted in 10 thousand apartments, acquired by them during the last 6 years. Compared with the widely advertised campaign of banking mortgage, which in the same period showed two times less a result, it can be regarded as evident success.

Horticultural and dacha cooperatives. Horticultural and dacha cooperation is the largest segment in Russia. More than 20 million families have vegetable gardens, dacha and garden plots. For many of them, these plots are not only favorite vacationing places, but also the ones for producing vegetables, fruits and other agricultural products both for their own consumption and for marketing.

Producers' cooperatives. According to some estimates, producers' cooperation is represented by over 15 thousand industrial, transport, construction and other producers' cooperatives. Beside that, there are about 40 thousand miners' artels (partnerships).

All above-mentioned groups of the cooperative sector have different objectives and varied fundamental interests. However, with all that vast variety of cooperatives and their organisations, there is a growing understanding that Russia needs a cooperative structure, which would coordinate common activity of all cooperatives and represent their interests both at federal and international levels. This idea was actively supported by the Federation Council of Russia, and in 2007 a non-commercial partnership "Cooperative Commonwealth" was founded. Mr. Nikolayev, the Vice-Chairman of the Federation Council was elected as President of this partnership.

The subsequent chapters of this report are based on the structure of the **Recommendation No.193**, and they contain analytic information concerning basic elements of the Recommendation, such as the scope, definition and objectives; policy framework and the role of governments; implementation of policies for the promotion of cooperatives; role of employers' and workers' organisations; and international cooperation.

Active policy of the Government of Russia, the adoption of a number of **federal laws**, amendments and additions to the existing legislation, as well as a more efficient functioning of **cooperative structures** brought about a more intensive cooperative development and increased cooperative membership in Russia to 60 million members. Whereas in the end of the 1990-s and in the beginning of 2000-s the issues of the appropriate cooperative legislation and of the recognition of cooperatives as such were quite acute (having in mind that cooperative sector, as one of the sectors of national economy, was even not included into the Constitution of Russia), in the latest years, the emphasis was shifted to the development of cooperatives themselves, of their multi-level structures, as well as of consultative services, education and training.

At all levels, from federal to local, an understanding forms up, that the efficient use of cooperation brings over visible results in both the economic development of the country, and economic



and social benefits of cooperative members, who realized the necessity of cooperation for coming out of the deadlock of poverty and state of lawlessness. Very important is the realization of many Russian citizens, that the cooperative can be not only economic instrument for improving one's welfare, but a political tool as well, capable of protecting one's rights and of solving definite social problems. Economically strong cooperatives, especially with large membership, make state authorities to defer to their wishes and to conduct a dialogue with them, as far as they constitute a significant part of their electorate. It also corresponds to the basic objective of a cooperative for the protection of interest of its members.

The role of **employers' and workers' organisations** in the development and support of cooperatives can be traced only in agricultural sector. For example, the Association of Farmers of Russia (AKKOR) renders a great support to cooperatives. The interest of AKKOR is evident, as many farmers are members of various cooperatives, and they are strongly in favour of strengthening the cooperative sector. Political parties began to pay more attention to cooperatives due to a more active cooperative development and growing role and influence of some cooperative structures. **Trade unions** don't play any noticeable role and their influence on cooperative development is practically null.

The role of cooperatives is clearly seen in improving living conditions of population, and in particular in **fighting poverty** and promoting employment of women and youth. When analyzing the differentiation of poverty in a settlement aspect, one can see that the countryside generates poverty in a larger scale, due to a high rate of unemployment and a low wage level in rural settlements.

In Russia, another aspect of poverty – **a gender aspect** – has considerably enhanced. In Chapter 2, point 8 of the Recommendation 193, it is said that national cooperative policy must include the promotion of gender equality. In contemporary Russia one can note the feminization of poverty. Cooperatives began to exert positive influence on changing the situation with regard to gender equality.

International organisations and projects have made a noticeable impact on the cooperative development in Russia, in particular, the International Cooperative Alliance, Cooperative Branch of the ILO, UNDP, Tacis, American company ACIDI/VOCA, etc. Consultative services, training programs, publishing of study materials, professional training (with study tours to countries with developed cooperative systems) of Russian specialists and cooperative managers have helped a lot in the formation of cooperatives, with the consideration of international experience and standards. Thanks to this assistance, a number of strong cooperatives, with a good potential, was established in Russia, in particular, a great impact was made on the development of agricultural consumers' credit cooperatives. Over the last few years, the system of agricultural consumers' credit cooperatives is successfully developing. For example, during 1999 – 2008 in Yaroslav region the number of members in credit cooperatives increased by more than 20 times.

At present, a Federal Law “**On Cooperatives in the Russian Federation**” is passed for the expertise procedure of the Russian Government. This bill is elaborated with the purpose of determining uniform legal foundations for the formation and functioning of cooperatives of various types, with the consideration of the internationally recognized cooperative principles and values. The Bill presupposes the necessity of state support of the cooperative movement in all its forms and manifestations.

One can give a high positive mark to the cooperative development in Russia over the latest years. The number of supporters of this development process is becoming greater, as an appeal is distinctly heard throughout all Russia:

**Cooperators, cooperate!!!
Let us create cooperative Russia together!!!**



Chapter 1. Basic kinds of cooperatives and cooperative structures in Russia

1. Agricultural cooperatives

1.1. Agricultural production cooperatives

Agricultural production cooperatives are commercial organisations, uniting citizens for joint production of agricultural produce in the framework of a unified enterprise. Members of the cooperative unite parts of their property, or financial means and form a share fund of the cooperative. The cooperative owns the property. The cooperative can cultivate the land, contributed by its members to the share fund, or let for rent (including that of cooperative members), or redeemed by the cooperative. In the first and third cases the land becomes the cooperative's property. In producers' cooperatives their members must participate by personal labour in the production process (to be a member but in the same time to be a worker of the cooperative). Surplus of the cooperative is divided among members proportionally to their labour participation.

In 1992 – 1993, in the process of the reorganisation of 26.6 thousand kolkhozes and sovkhozes (collective and state farms), in which 12.5 million persons were engaged, were transformed into producers' cooperatives through joining land plots and property shares, as well as members' labour. In the newly-formed cooperatives the rights and powers of agricultural producers, admitted to membership, were substantially widened.

Agricultural production cooperatives have a one-level structure. Basically, they interact with one another through state district and regional agro-industrial departments. Agricultural production cooperatives exist in every region of Russia. Part of them are members of agricultural credit cooperatives and of agricultural consumers' service cooperatives. So far, they haven't created any common infrastructure of their own, and there is no visible trend of their uniting into associations or unions.

Structure of agricultural producers' cooperatives (APC)

Regional and district departments of AIC (agro-industrial complex)



About 12 thousand of agricultural producers' cooperatives,
located in all regions of Russia



In 1991 there were 8786 of cooperatives with 98.6 thousand workers, in 2004 the number of registered APC reached 9909 with 50.5 million hectares of cultivated lands, which comprised 57 per cent of all existing agricultural organisations and enterprises. Limited companies comprised 14.2 per cent; and joint-stock companies — 17.8 per cent. At present there are about 12 thousand agricultural production cooperatives. But the analysis shows that the trend of decreasing the number of agricultural production cooperatives started. This is connected with non-efficiency of some cooperatives and they are bankrupts now. Farmers and businessmen are buying lands and production facilities of cooperatives and set up private companies instead them.

1.2. Agricultural consumers' cooperatives (service cooperatives)

Agricultural consumers' cooperation in Russia is represented by two kinds of cooperatives with different functional characteristics. They are agricultural consumers' credit cooperatives and agricultural consumers' service cooperatives.

Agricultural consumers' cooperatives are non-commercial organisations of citizens, possessing individual households, of peasants' (farmers') households, and of legal entities engaged in agricultural production. They are formed with the purpose of reducing production costs, or obtaining additional income through marketing, supply, processing, servicing and other functions performed by a cooperative. For performing its functions, a cooperative forms a share fund from members share fees in money and/or in kind. The cooperative owns its assets on a propriety right. Cooperative members carry out their business activities autonomously, within the framework of their households, using the cooperative's services. The cooperative's economic activity must be carried out in the interests of members; surplus to be distributed among the members. For maintaining the cooperative's efficiency in conducting its business, and keeping its staff of employees, the members pay annual fees. The consumers' cooperative may also provide services to non-members. Profit obtained from such activity belongs to the cooperative and is subject to taxation in compliance with the legislation of the Russian Federation.

There are several types of agricultural consumers' service cooperatives:

- **processing cooperatives** are engaged in processing and production of meat, fish, dairy products, vegetable and fruit products, bread and bakery products, etc.
- **marketing (trading) cooperatives** are engaged in selling, storing, sorting, drying, washing, packing and transporting products (make deals, conduct marketing research, etc.
- **service cooperatives** are engaged in reclamation, transportation, repair, construction, ecology remedial works, veterinary services, applying fertilizes and plant protection agents, consultative and auditing services, etc.
- **supply cooperatives** are engaged in purchasing means of production, fertilizes, feeds, fuel, spare parts and other commodities necessary for agricultural production;
- **insurance cooperatives** provide services for personal and medical insurance; land, property, crop insurance, etc.
- **credit cooperatives** are engaged in savings and in providing loans for their members.

1.2.1. Agricultural consumers' credit cooperatives

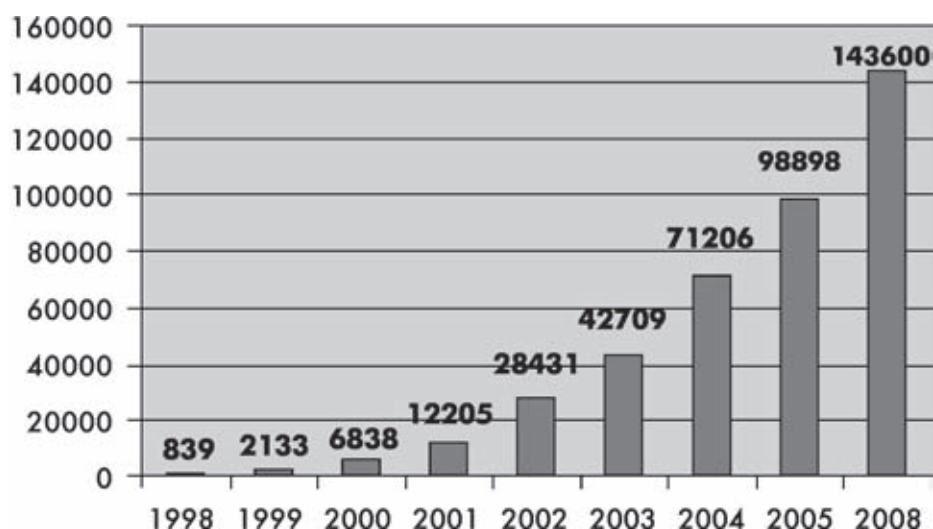
In view of a comparatively fast growth of rural credit cooperatives there is a great potential for their further development. According to the annual sociological poll among members of



agricultural credit cooperatives, unsatisfied demand on loans fluctuates from 50 to 75 percent of credit cooperatives' membership.

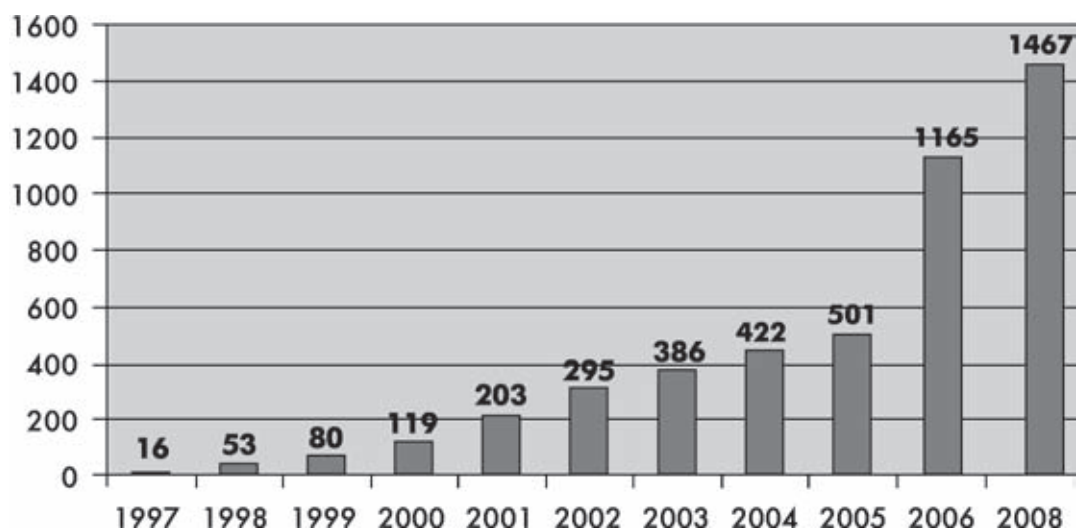
Membership of agricultural credit cooperatives is fast growing over the last years. The graph below shows the dynamics of membership of the credit cooperatives in Russia during 1988 – 2008:

Dynamics of growth of membership of agricultural credit cooperatives



The services of the rural credit cooperatives are actively used by small and medium agricultural producers.

Dynamics of growth of credit cooperatives



At present, a dominant part of the rural credit cooperatives' membership is comprised of families with individual households (over 80 per cent). A majority of members of this category are active loan subscribers. The other, a smaller part of rural inhabitants, (mainly pensioners), prefer to hold their savings on deposits in credit cooperatives. On the whole, such a structure corresponds to the provision of Article 4, clause 8 of the Federal Law "On Agricultural Cooperation" which stipulates that "credit cooperatives are formed with the purpose of providing loans to their members and for keeping their savings".



Practically all rural credit cooperatives are still far from meeting large and average peasants' (farmers') households' needs in turnover means for developing their production capacity. Today they are capable of providing turnover means only to small peasants' (farmers') and to individual households. In the nearest perspective, the accretion of mutual funds in rural credit cooperatives through the interaction with regional financial markets, would provide for positive growth of loans to a level sufficient for crediting turnover means of a medium-scale agricultural producer.

At present, a three-level system of the rural credit consumers' cooperation is being formed. This system bears an open character, and its basic element of the first level is agricultural credit consumers' cooperatives.

The second level is formed by credit cooperatives on a voluntary basis through the creation of cooperative structures (a regional credit cooperative, a cooperative association, an audit union, an education and training centre).

The third level is formed by regional credit cooperatives, which delegate a number of special functions, with regard to financial services, to the inter-regional agricultural credit consumers' cooperative named "Popular Credit". Regional cooperatives are also undertaking steps for the creation of a national credit association and an audit union.

A special role in this regard is played by the Fund for the Development of Rural Credit Cooperatives (FDRCC). Its main mission is to create, develop and support a system of agricultural credit consumers' cooperatives through providing financial assistance, consultative and educational services to them. In view of the absence of a supporting program on the part of the Government, and thus of impossibility of creating a cooperative bank, the Fund has assumed the role of a financial centre for rural credit cooperation. However, as Ms V. Pakhomova, MD of the Fund put it, the Fund's functions will be gradually assumed by the "Popular Credit" in the course of its further development.

Inter-regional agricultural credit consumers' cooperative "Popular Credit" was registered on October 24, 2004.

Its members are 11 regional cooperatives of the second level and three associated members (FDRCC, Fund GERFO, ICDI/VOCA).

In the perspective, the system of agricultural credit consumer's cooperatives must have its fully legitimate representative at the financial market. It is thought in this connection, that FDRCC will undergo a gradual transformation in the future — into a non-banking deposit and credit organisation (NBDCO) at the first stage, and at a later stage — into a central financial institution (a cooperative bank). The Russian Bank of Agriculture may take part in the creation of such a structure.

It is also thought that indices of economic growth of rural credit cooperatives will increase considerably in the near future.

The work aimed at the creation of a wide network of rural credit cooperatives in the Russian Federation must lead to dramatic diminishing of the role of the black financial market, to an increased business activity of the rural population and to reducing rural unemployment.

The present state of the development of the agricultural credit cooperatives by December 2008 is as follows:

Number of agricultural credit cooperatives (ACC) in Russia — 1467;
A two-level ACC system created in 23 Russian regions;



Number of members — 143600;
The portfolio of loans — 5.7 billion rubles.

One can see dynamics of the development of agricultural credit cooperatives in recent years by the example of Yaroslav region.

Year	2003	2004	2005	2006	2008
Number of members	562	880	1113	1558	2011
Own capital (thousands of rubles)	2226	4793	16129	25294	55891
Number of loans	522	767	903	1181	
Amount of loans (thousands of rubles)	22723	39091	72405	156460	256121

1.2.2. Agricultural consumers' service cooperatives

According to official statistics, by 01.01.2005, there were 702 agricultural consumers' cooperatives, including 455 processing, 156 service and 91 marketing cooperatives. Statistics of the federal zones and subjects (regions, republics and territories) of the Russian Federation shows the paucity of the cooperative system and inertness of its development process.

Number of agricultural consumers' cooperatives in federal zones of Russia, on 01.01.2005

	Total number	Agricultural consumers' cooperatives		
		Processing	Service	Marketing
Russian Federation	702	455	156	91
Central Federal Territorial entities	155	104	32	19
North-West Federal Territorial entities	27	16	10	1
South Federal Territorial entities	51	41	3	7
The Volga Federal Territorial entities	230	117	84	29
Ural Federal Territorial entities	67	40	16	11
Siberian Federal Territorial entities	124	95	9	20
Far East Federal Territorial entities	48	42	2	4

By the beginning of 2005, no one agricultural consumers' cooperative was established in 21 subjects of the RF, no one processing cooperative was established in 24 subjects of the RF, no one service cooperative was established in 47 subjects of the RF, no one marketing cooperative was established in 48 subjects of the RF.

When analyzing the development process of agricultural consumers' cooperatives, one can see, that while the process of the formation of processing cooperatives, although slowly, but still advances (403 in 2003 to 455 in 2005), the number of marketing cooperatives is decreasing. Often it happens due to their stepping out of limits of their sphere of business activity, with the purpose of raising profitability of trading operations (in 2003 there were 413 marketing cooperatives and in 2005 — only 91). According to updated statistics, by 01.01.2008 in Russia there were 141 processing, 94 service, 108 marketing, 53 supply, 501 credit and 14 insurance agricultural consumers' cooperatives.

A low level of the development of agricultural consumers' cooperatives was testified by the data of a trial agricultural inventory, conducted by the Rosstat (Russian Statistical Agency)



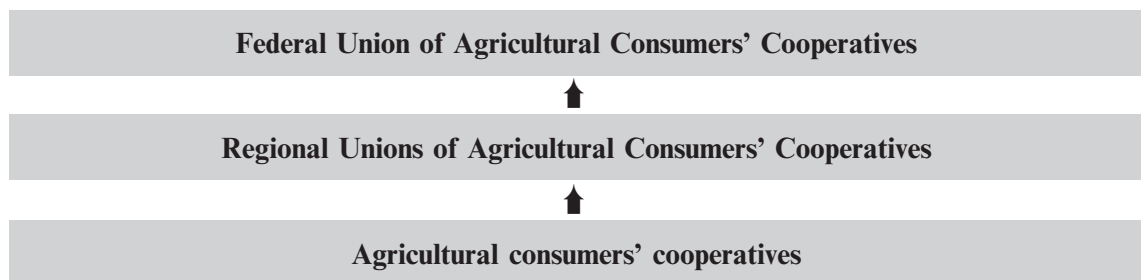
in 2004 in four regions with developed agrarian infrastructure (Saratov and Penza regions, Krasnodar and Krasnoyarsk territories). In the course of inventory it came to light, for example, that main suppliers of services necessary for maintaining household business activity, were individual entrepreneurs (28.7 per cent), agricultural organisations (26 per cent), relatives and neighbors (25.8 per cent). The share of organisations belonging to the Centrosoyuz system is 3.1 per cent of rendered services. The share of non-agricultural organisations (among which might be vertical cooperatives not singled out by the Rosstat as a separate object of statistical research) — 7.4 per cent.

Agricultural consumers' cooperatives gain ground mainly in large agricultural regions — pioneers of the farmers' movement — Saratov, Volgograd, Tyumen, Rostov, Astrakhan regions, or in regions whose state administration paid a greater attention to encouraging small businesses and social and economic development of rural areas, e.g. republics Tatarstan, Bashkiria, Buryatia. They also appear in the regions, where the international technical assistance projects were realized, e.g. in Saratov, Chelyabinsk and Yaroslav regions they were formed in the framework of Tacic FD RUS 9701 project “Support of Cooperative Enterprises of Independent Farmers”.

While speaking about a small number of registered agricultural consumers' cooperatives, one has to note a wide outspread of various types of informal associations, having characteristic features similar to those of cooperatives, which on the whole could be referred to as unregistered grass-roots cooperatives. They emerge among agricultural producers of all forms of ownership, but most often between collective agricultural enterprises and individual households' owners, or among individual households, in the form of neighbors' and relatives' mutual help, or among peasants' (farmers') households.

A wide outspread of informal cooperation can be explained mainly by two reasons. The first one is that small agricultural entrepreneurs often enter into cooperative relations not so much that to develop a large-scale business, but for the sake of mere survival (simple reproduction). The second reason is that informal associations thus try to avoid registration and hence, double taxation (for small householders it is easier to pay a single tax, rather than be taxed twice — individually and in a cooperative).

In 2000 – 2001, attempts were made to create a three-level structure in the system of agricultural consumers' cooperatives



In 2001, the Federal Union of Agricultural Consumers' Cooperatives was founded by three regional unions of consumers' cooperatives and by several consumers' service cooperatives. However at present, these organisations still remain at a rudimentary state, due to insufficient development of agricultural consumers' service cooperation.



2. Consumers' credit and housing mortgage cooperatives

2.1. Credit consumers' cooperatives of citizens

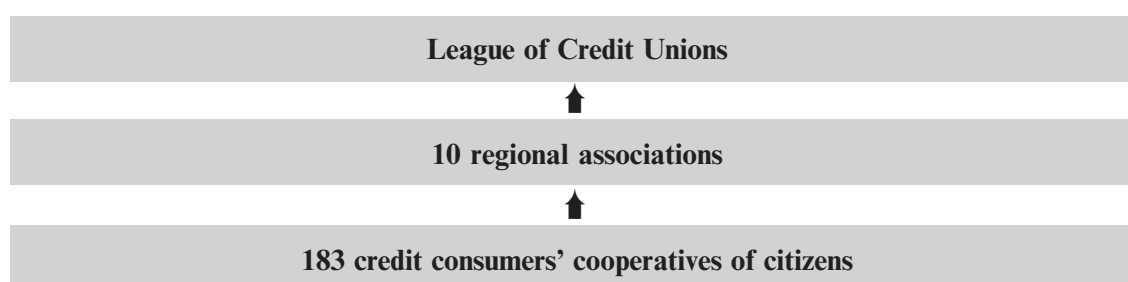
A basic element of the credit consumers' cooperation is a credit consumers' cooperative of citizens (CCCC), which is formed by citizens who voluntarily unite for meeting their needs for financial mutual help.

Credit consumers' cooperatives of citizens may be established on grounds of a community, place of work, professional accessory, or any other commonality of citizens.

CCCC function in compliance with the Federal Law 117 "On Credit Consumers' Cooperatives of Citizens" adopted on August 7, 2001.

The credit consumers' cooperation has a three-level structure. At the federal level it is represented by the League of Credit Unions, which was formed in 1994. It is an association of the credit consumers' cooperatives of citizens and other non-commercial organisations of financial mutual help, and it is based on principles of voluntariness, equality of members, self-management, openness, lawfulness. The principal mission of the League is to develop credit consumers' cooperation, as one of institutions of civil society in Russia.

Structure of credit consumers' cooperation of citizens



As of 01.01.2008, the total membership of the League is 184 credit cooperatives (with 288 branches) from 27 regions of Russia, with 431 322 members. Grand total of a balance sheet of all the members in the beginning of 2008 was over 9.2 billion rubles.

In 2007 the League conducted the Forum of Credit Unions of Russia and there was presented a Concept of development of credit cooperation in Russia for 2007 – 2011.

The League represents Russian credit cooperation in International Council of Credit Unions (WOCCU).

2.2. Housing mortgage cooperatives

The present housing mortgage cooperation originates from the year 2000, when two housing cooperatives of a "new type" were formed in Moscow, along with the first voluntary association of the cooperatives of a "new type", a non-commercial partnership, "the Guild of Housing Cooperatives — Shelter on Installments", which initiated the elaboration of a social housing program named "CONSTRUCTING TOGETHER".

Housing, and at a later stage housing-constructing cooperatives of a new type, are non-commercial organisations based on the principle of a mutual-aid fund. These cooperatives



don't limit either a number of participating members, or a volume of housing premises, being bought or constructed by them, as their main objective is to acquire housing premises both on primary, or on secondary market.

Due to a strictly controlled balance of savings and installments, it became possible to provide a long-term interest-free installments plan for members. In the course of the development of the cooperatives, a flexible system of tariff plans were elaborated, which made it possible practically for every family to improve their living conditions. An outstanding invention of these cooperatives was a special kind of a civil law member contract, with the help of which proprietary rights and obligations of cooperative members are aptly individualized.

In a comparatively short period, the housing-constructing saving cooperation has acquired a considerable strength. Over the last five years of its development over 100 consumers' cooperatives, using different types of financial schemes for housing construction and for acquiring real estate, were formed.

Another interesting incidental invention of housing constructing saving cooperatives was the use of means attracted on financial market for acquiring real estate, or for housing constructing, — without a saving period in a cooperative, which gave birth to a new kind of statutory regulations. In view of an underdeveloped state of banking mortgage in Russia, the main sources of attracting financial means by housing cooperatives are loans from citizens and legal entities, including those from abroad.

Repayments for using loans are made by members' monthly fees, whereas loans themselves are repaid by members' monthly installment share fees. Real estate is acquired to a cooperative's ownership, with a simultaneous establishment of mortgage impairment in favor of a mortgage lender.

With the purpose of protecting proprietary interests of its members in case of destruction or damage of real estate, the housing-constructing saving cooperatives affiliated to the system "CONSTRUCTING TOGETHER" created a unique system of collective proprietary security. At the expense of monthly membership fees of members, who already take possession of an estate, the All-Russian Reserve Fund of the Guild of Popular Cooperatives of Russia was founded.

Federal Law No. 194 "On Amendments to Article 446 of the Civil Code of the Russian Federation", enacted on 01. 01. 2005, envisages the possibility of exaction of real estate occupied by a mortgage debtor by court decision, even in the case when it is the only shelter which the debtor and his/her family possesses. With the enactment of this law, all necessary pre-requisites formed up for changing an unpopular arrangement for indirect acquiring of real estate (through initial acquiring by a cooperative) to a popular one, when a cooperative member is a direct beneficiary of a mortgage contract.

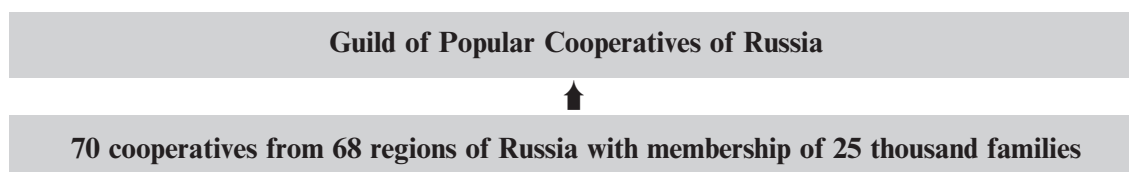
The system of mass social mortgage "CONSTRUCTING TOGETHER", affiliated to the Guild of Popular Cooperatives of Russia, has played a decisive role in the foundation and development of housing-constructing saving cooperation in Russia. In 2003, its Program, under the same name, won an international social recognition award — the order "Glory of Russia"(Minutes No.38 dated 30.05.2003). This Program received a high appraisal on the part of the President of Russia, both Chambers of the Federal Assembly, the Audit Chamber of the RF, and some Russian Ministries.

In 2004, the Guild of Popular Cooperatives of Russia became a member of the European Federation of Building Societies (EFBS). In 2005, the European Quality Standard was bestowed to the Standard of business activity of consumers' mortgage cooperatives under the auspices of the Guild.



At present, 70 consumers' mortgage cooperatives in 84 cities of 68 regions of Russia are members of the Guild. Over five years of existence of the system "CONSTRUCTING TOGETHER", more than 20 thousand families became its members and about 10 thousand families have already acquired real estate in the total amount of 8 billion rubles.

Today the system of housing cooperation is represented by a two-level structure



With the consideration of consumers' mortgage cooperatives affiliated to the Guild of Popular Cooperatives of Russia, the total number of housing-constructing savings cooperatives in Russia is about 130 – 150. According to International Association of Mortgage Crediting Funds and Housing Construction, there are about 100,000 members of housing-constructing saving cooperatives in the country, and the amount of their accumulated savings is 15 billion rubles.

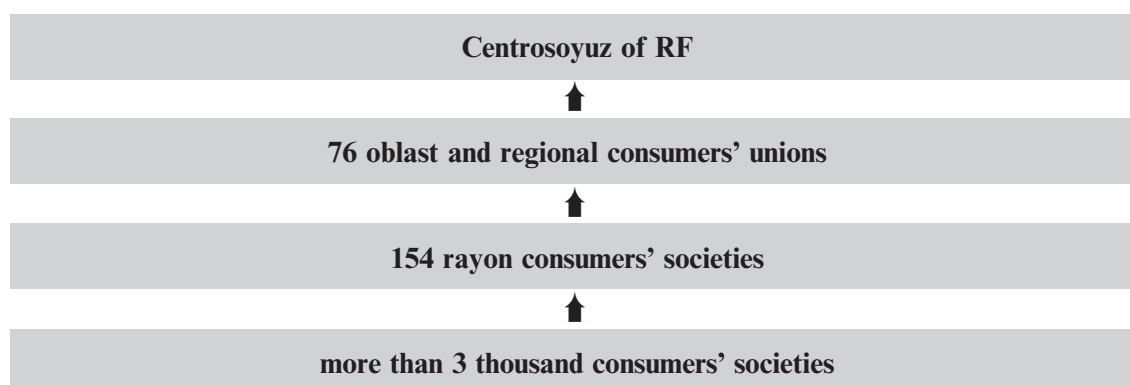
3. Consumers' cooperation

The Centrosoyuz of Russia was founded in 1898. At the beginning, its membership comprised 307 consumers' societies. Today it unites more than 3,000 consumers' societies. Centrosoyuz is a member of the International Cooperative Alliance (ICA) since 1903. Its authorities are: the **Council** (headed by Evgeni Kuznetsov; honorary Chairman — Valentin Ermakov); and the Centrosoyuz **Board** (Chairperson — Ludmila Zaitzeva).

With the enactment of the Law on consumers' cooperation, which strengthened the legal status of consumers' societies, and the implementation of the "Concept for the Development of Consumers' Cooperation of the RF for the period until 2015", social and economic conditions for functioning consumers' cooperatives have changed.

Consumers' cooperation is a non-commercial structure, as stipulated by the law "On Consumers' Cooperation (Consumers' Societies and Their Unions) in the Russian Federation" adopted in 1997 and amended in 2000 and 2002. Its basic mission is meeting material, social, spiritual, cultural and other needs of members to a full extent.

Organisational structure of Centrosoyuz of Russia



Centrosoyuz has a four-level structure. It represents consumers' cooperative societies at the federal level.



However, at present the system of Centrosoyuz is experiencing not only economical, but a political decline as well. It has come to light that the formal founders of Centrosoyuz were 6 physical persons (magazine “Vestnik Kooperatsii” N1 April 2007), which means, according to law, that they possess all its property, including Moscow Cooperative University. Quite a few of regional unions, including large training centres in Belgorod and in Siberia terminated their membership in Centrosoyuz.

In connection with these developments, the member societies are facing a lot of complicated challenges, from those of their conceptual development policies, to the restructuring and audit of property accounts.

The present rural infrastructure, type-design practice in cooperative trade and in rendering services, social protection of the rural population do not correspond to present requirements of the market economy. Consumers’ cooperation is becoming less capable of sustainable development as a socially oriented system.

Recent transformations influenced organisational and legal status of wholesale and retail enterprises. Enterprises in the form of structural business units, with internal accounting, and/or in the form of branches, became most economically viable ones, purported at the protection of integrity of cooperation.

The system of consumers’ cooperation of the RF is the only system in the country which possesses its own vast educational infrastructure. It consists of Russian Cooperative University (Moscow) with 22 branches in regions; 58 colleges with 91 branches on all territory of Russia; 3 professional colleges. More than 100 thousand students are studying in these educational structures.

Russian consumers’ cooperation today

Pursuing their social mission, cooperative organisations of the country do their best to help their members and rural people to improve their living standards, which is witnessed by figures below.

Consumers’ societies unite 4.8 million members and employ about 300 thousand workers and specialists (January 2008).

Consumers’ societies:

- ✓ Total turnover in 2007 was 173,4 billion RR (109,1 % comparing with 2006).
- ✓ more than 50 thousand shops
- ✓ about 7 thousand coffee shops, bars and restaurants
- ✓ more than 8.4 production points (mainly food production)
- ✓ 6.7 thousand points of buying and storage of agricultural products
- ✓ 30 thousand points of personal services.

An active work aimed at promoting social mission of consumers’ cooperation is carried out by consumers’ unions of Vladimir, Bryansk, Yaroslavl, Smolensk, Nijegorodskaya, Voronej, Chuvash, Kemerovo, Udmurtia, Omsk regions and republics.



In compliance with the decision of the 132-d General Meeting of Representatives of consumers' societies of Russia, the Centrosoyuz began to elaborate the Development Concept for the consumers' cooperation for the period until 2015. A brain-storming session was organised with the participation of the leadership of Centrosoyuz and the Russian University of Cooperation. The expediency of a wider discussion on the Concept among regional unions and consumers' societies was emphasized at the meeting. It was suggested that the proposals for the Concept should be generalized and submitted for the consideration of Centrosoyuz Council.

However, according to information coming from regional unions, Centrosoyuz generated quite a few internal problems. During the last years the drop in retail turnover takes place, material and technical base decreases: the number of stores dropped by 14 thousand, and the number of wholesale warehouses — by 2.3 thousand.

Volumes of procurement of meat, milk, vegetables and other produce from domestic agricultural producers are diminishing, being replaced by imported commodities in increased volumes.

Cooperative members write about other problems, such as infringements of the federal and regional cooperative legislation, corruption, financial machinations, non-observance of democratic norms of management in this organisation, in particular about the exemption of members from control over elected cooperative authorities.

One has an impression, that the system of Centrosoyuz ignores the interests of cooperative members and agricultural producers and focuses on obtaining maximum profit from trading operations, hence turning into a commercial corporation.

4. Dacha and horticultural cooperatives

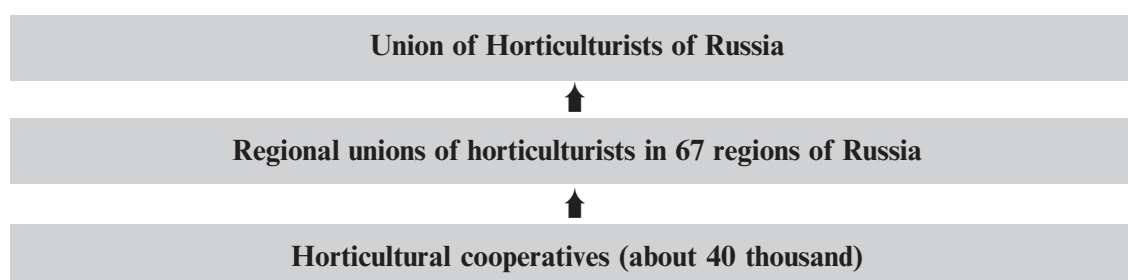
Dacha and horticultural cooperatives is the largest sector of Russian cooperative movement.

Horticultural, gardening or dacha non-commercial association of citizens (non-commercial company, non-commercial partnership, or cooperative) is a non-commercial organisation formed by citizens with the purpose of attaining common goals in solving various economic and social tasks concerning horticultural, gardening and dacha households' business activities.

Horticultural cooperation functions in compliance with the Federal Law of the RF No.66 of 15.04. 1998 "On Horticultural, Gardening and Dacha Non-Commercial Associations".

At present, the Union of Horticulturists of Russia unites 67 regional organisations which represent interests of 27 million of Russian horticulturists, gardeners and dacha households, capable of influencing electoral campaigns of all levels. Out of this number, 14.5 million member families are engaged in horticulture, and 4.3 million — in gardening.

The system of horticultural cooperation comprises a three-level structure





As an example, one can look at the data in the Chuvash Republic of Russia. At present, there are 135.5 thousand of gardening plots. With the consideration of family members, that would comprise about 400 thousand people cultivating their plots. These plots are united into 693 horticultural associations. The horticultural plots comprise 8.2 thousand hectares of cultivated land, from which 50 per cent of berries, 25 – 30 per cent of vegetables and fruits grown in the Republic are harvested.

In April 2003, the 2-nd Congress of horticulturists of Russia was held. This congress discussed current problems of amateur horticulture, along with future prospects. The Congress adopted the Development Program for 2003 – 2010, under the auspices of the Union of Horticulturists of Russia. For the first time ever in Russian history, this Program defined the horticultural plot as a nature-antropogenic value, subject to the protection by law, and horticultural and dacha households — as the territory of psychological stability and security of Russia and part of its national conceptual idea.

The Program also determined a political stand of the Union: its members made a clear statement about being a political force, as they set up a task to contest for seats in the Parliament for the Union representatives for protecting interests of non-commercial horticulturists and gardeners. To this end, the Union made a statement about reserving its right to transform into a political party.

The Congress addressed to the Government of the Russian Federation with a proposal to set up a special permanent commission to deal with problems of the development of horticultural movement. It was also decided to make a proposal to the Ministry of Agriculture for the creation of a joint federal centre for horticultural development.

5. Producers' cooperatives

In the 1990-ies, non-agricultural producers' cooperatives began to form up at a quick pace, which later united into a non-commercial partnership of joint producers' cooperatives, "The League of Cooperators and Entrepreneurs of Russia". However, there is an evident trend, noted in the last few years, of decreasing the number of producers' cooperatives in non-agricultural sector.

According to some estimates, there are about 15 thousand of producers' cooperatives functioning in industrial, constructing, transport and other economic sectors, representing this kind of cooperation. There are also about 40 thousand of free miners artels. Statistical information concerning this sector is rather odd and unsystematic, which makes it impossible to gather accurate data with regard to the types of producers' cooperatives.

6. Cooperative structures at the national level

The issue of the formation of an All-Russia cooperative structure, which would unite all kinds and types of cooperatives, have been discussed for quite a long time at various forums, congresses, conferences, etc, devoted to the problems of cooperative development in Russia. The first attempt of creating such an organisation was undertaken by the Centrosoyuz of Russia in June 1998, when the "Association of Cooperative Organisations of Russia (ACOR)" was established.

The aims of the Association are:

— coordinate activity of all types of cooperative organisations in Russia;



- assist in their development, protection of their rights and interests in government bodies and other authorities;
- represent cooperative organisations in the International Cooperative Alliance and other organisations;
- render informational, legal, and other services to member organisations.

Member organisations of the ACOR:

- Central Union of Consumers' Societies of the RF, founded in 1898;
- Agroindustrial Union of Russia, founded in 1998;
- League of Credit Unions, founded in 1994;
- Moscow Union of Housing, Housing-Constructing, and other Self- Managed Societies, founded in 1990;
- Association of Peasants' (Farmers') Households (AKKOR), founded in 1990;
- All-National Association of Mutual Financial Assistance, founded in 1998;
- Non-Commercial Partnership of Joint Producers' cooperatives, founded in 1997;
- Union of Rural Credit Cooperatives, founded in 1997;
- Union of Independent Miners of Russia, founded in 1989;
- Union of Horticulturists of Russia, founded in 1999;
- Russian Audit Union of Agricultural Cooperatives "Chayanov", founded in 1999;
- Federal Union of Agricultural Consumers' Cooperatives, founded in 2001.

This Association, however, turned out to be a nominal structure, which doesn't play any significant role in the development of the cooperative movement in Russia.

In March 2007, under the support of the Federation Council of Russia, a non-commercial partnership for assisting cooperative development, named "Cooperative Commonwealth" was founded. Its founders are:

- Moscow Regional Union of Consumers' Cooperatives;
- The union of non-commercial self-regulated organisations for mutual financial help "League of Credit Unions";
- Non-commercial partnership "National Partnership of Micro-Finance Market Participants";
- Belgorod Cooperative University.



7. Cooperative media

One of the first steps of the newly founded non-commercial partnership “Cooperative Commonwealth” was to resume publishing of a bulletin “Herald of Cooperation”. This journal was popular in pre-Revolutionary Russia, and its issuing was terminated in 1918. The present first issue was released in April 2007. The target group of this bulletin — cooperative leaders, managers and specialists, agricultural producers, cooperative members of all kinds of cooperatives at all levels.

Under the support of the Fund for the Development of Rural Credit Cooperatives an informational theoretical and practical magazine “Rural Credit” is published. Its main purpose is to highlight the Russian cooperative legislation, the activity of credit cooperatives, to monitor cooperative experience in the regions, as well as to render consultative assistance to managers and accountants of credit cooperatives.

Since December 1997, the Centrosoyuz of Russia publishes a newspaper for cooperative members “Russian Cooperation”, and a monthly bulletin “Business Messenger of Cooperation”. Subscribers for these additions are republican and regional unions, district consumers’ societies, cooperative members, managers and employees, students and teachers of cooperative educational institutions.

When making comparison with the year of 1918, when about 500 of cooperative magazines and newspapers were published in Russia, one can assume that the present state of development for cooperative media is at a very low level.



Chapter II. Analysis of cooperative development in Russia in line with the ILO Recommendation No.193 on the promotion of cooperative development

International Labour Conference in 2002 adopted Recommendation No.193 concerning promotion of cooperatives. In this chapter, analysis of main trends of the cooperative development of Russia in the last five years is made, with a view of their conformity to the recommendations accepted by the world community. Chapter II is composed in line with the structure of the ILO Recommendation, with the addition of some actual comments.

1. Scope, definitions and objectives

The development of the cooperative sector in Russia in the last years bears increasingly marked character. Thus, whereas in the 1990-s of the last century producers' cooperation in non-agricultural sector developed at a quick pace, by the beginning of 2000 the majority of producers' cooperatives were transformed into other legal status. Basically it was connected with changes of legislation, taxation rules and proprietary rights. In the latest years, the growth of agricultural, credit and housing cooperatives was generated. When analyzing the development of cooperative forms, one can clearly observe a trend for emerging of cooperatives whose business activity is aimed at the accumulation of financial resources for crediting their members' needs. In the last 15 years the share of the Centrosoyuz system in the retail turnover of the country decreased from 27.3. per cent to 4.2 per cent, i.e. by 6.5 times. At this, one has to note that this system inherited property from the USSR at a value price of 8 billion US dollars.

The level of development of horticultural and dacha cooperatives in the last 15 years remained at the same level of over 20 million families, who own horticultural and dacha households.

Agricultural producers' cooperatives began to develop actively after the adoption of the appropriate law in 1996. However, in the last 4–5 years the number of producers' cooperatives didn't increase, and there is even a trend for a decrease. It is evidently connected with bankruptcies of inefficient cooperatives, whose lands are being bought by commercial structures, agricultural holding companies, which create new enterprises and cattle-breeding complexes, already under a different legal status.

Agricultural consumers' service cooperatives have a great perspective, but they are still at the initial stage of development. There are positive examples of their development in some regions of Russia, e.g. a grain cooperative "Soyuz" in Saratov region. However, there are still quite a few obstacles hindering the development of cooperatives of this type.

The latest development of the cooperative sector in Russia is characterized by the burst of activity of credit cooperatives. Thus, over the last ten years their number increased from 16



to 1536. Since 2001, in various regions of Russia 440 credit cooperatives were formed. In housing sector, the number of cooperatives increased from 2 to 70.

Although at present the Russian cooperative movement is represented by quite a few different types of cooperatives, it is difficult to determine their exact number, because cooperatives are not embraced by the governmental statistical survey. The Rosstat (Federal Statistical Agency) doesn't carry out records of dynamics of cooperative development.

The development of cooperatives, specializing on financial services in various economic sectors, proves that the accessibility to financial means at equitable interest rates remain the main problem of Russia. Interest rates on loans in commercial banks (including hidden, so called effective rates) may reach 50 – 70 per cent.

Agricultural consumers' cooperatives play a great role for the rural areas, since it is extremely difficult to find a liquid banking pledge for farmers, and especially for rural households. Therefore banks are reluctant in financing small businesses in the country. Even the Rossselkhozbank (Russian Bank of Agriculture), whose main mission is to finance agricultural producers, prefers to deal with only large and strong producers' cooperatives. Under such conditions, credit cooperatives seem to be the only accessible tool for the development of Russian peasantry. A clear logical link is visible with regard to this issue.

A peasant, who takes a loan in a cooperative buys animals, feeds and other necessary means for the development of his/her small household. After a certain period, when reaching a definite mark of development (for example, he/she increased the number of cows from 1 to 3 – 5) the understanding comes, that it is not productive to go out in person for selling products. He/she is therefore caught by the idea of creating a service cooperative. In some cases, attempts are made to impose service cooperatives without considering real economic needs of people, which usually bring negative results.

Due to the lack of banking facilities in many rural settlements, the role of credit cooperatives, as instruments for attracting and accumulating peasants' savings, becomes especially significant. It also creates opportunities for using such savings for the needs of local development on the one hand, and for getting interest on savings on the other.

Housing-mortgage cooperatives, and credit cooperatives of citizens also help in tackling important tasks. They provide the opportunity for ordinary people for improving their living standards through the use of credit facilities.

One can definitely assert, that now in Russia, a process of the formation of the cooperative sector is gaining momentum, and its role is becoming more important with the growth of financial strength and membership of cooperatives.

2. Policy framework and the role of RF Government

During the last years, national cooperative policy in Russia substantially changed and definite positive trends appeared with regard to relationships between the Government and cooperatives. According to Chapter II, para 6 of the ILO Recommendation 193, governments should define and apply supportive policy and legal framework for cooperative activity. The following factors were instrumental in influencing the formation of policy and legal framework:

- growing understanding of Government authorities that the cooperative sector is part of economic system of the country, and that it plays an increasing role in development, in particular, in agricultural sphere, and that it calls for the necessity of an adequate state policy with regard to cooperatives;



- active supportive position of the Federation Council of the RF, the Ministry of Agriculture and regional bodies of state power in favour of the cooperative development;
- legislative initiatives concerning the cooperative sector;
- dynamic activities of cooperative organisations at the national level, thus influencing state policy with regard to cooperatives;
- the influence of international cooperative community on the acceleration of the cooperative development in Russia.

2.1. Understanding and formation of state policy

Given that in the beginning of the 1990-s there was a very skeptical attitude to the word “cooperator”, by the year 2000 this word was frequently met in media and forum discussions, and nowadays the word “cooperation” is acquiring not only an economic, but a political sense as well. In these later days, there is a more frequent understanding that to create economically efficient agriculture without cooperatives would be next to impossible. There is also an understanding at different levels of state power, that cooperatives can be very efficient economic tools. As a matter of fact, the use of different types of cooperatives can be effective only in the case, when they can actually occupy their “bay” in particular fields of economy. For instance, in the later days producers’ cooperatives in agriculture by their efficiency and state of development give way to farmers’ households and agricultural holdings.

It means that at the initial stage of the formation of a market economy in Russian agriculture, producers’ cooperatives were necessary, whereas nowadays the situation changed in such a way, that they cannot be efficient and competitive any longer, and they have to give way to other actors on the market. For example, peasants’ (farmers’) and individual households play an important role in agricultural production, and their share in gross agricultural output increased from 26.3 per cent in 1990, to 56.9 per cent in 2004. The cause was the growth of production volume in the individual-family sector on the one hand, and its decrease in agricultural organisations and producers’ cooperatives on the other.

Therefore, whereas in the 1990-s the stake was made on producers’ cooperatives, today the role of consumers’ cooperatives is becoming more significant, since they assume servicing functions, rendering financial, marketing, supplying assistance to their members.

In this respect, the role of consumers’ societies in the development of rural economy also becomes greater, since they participate in commodity turnover between rural and urban areas, procuring agricultural products from rural producers and selling them to consumers.

The development of credit cooperation, which receives full support at the state level, also illustrates the change of the situation. The importance of credit cooperatives is seen in their capacity to accumulate members’ financial resources and invest them in Russian economy.

Only in the latest years a real state policy and strategy with regard to the development of cooperative movement began to shape. It manifested itself in certain measures taken, such as:

- all basic types of cooperatives are defined;
- different types of cooperation being supported;
- different state development programs include participation of cooperatives;



- adoption of concepts with regard to consumers', credit and housing cooperatives;
- support to cooperatives at regional level;
- adoption of new laws and amending existing laws on cooperatives;

However, not infrequently, state regulation measures bear unsystematic character and not always secure stability of the internal market and protection of interests of its participants.

Russian state policy with regard to cooperatives is based on the following methods and principles:

I. Legal

- 1) adoption of programs and concepts of cooperative development;
- 2) adoption of legal and normative acts for regulating activity of different types of cooperatives;
- 3) amendments to federal laws;
- 4) discussion on a new federal bill "On Cooperation in the Russian Federation" as the law of direct action.

II. Organisational

- 1) distribution of powers between the Federal Centre and the subjects of the Federation in the realization of state cooperative policy, financial and institutional support;
- 2) discussion of the concept for the creation of RF Cooperative Bank;
- 3) creating regional (territorial) funds of sponsored support of cooperatives;
- 4) assisting in the formation of multi-level cooperative structures;
- 5) assisting in the organisation of training courses on cooperatives in agrarian institutions;
- 6) consultative support of cooperatives via federal and regional consultative-methodological centres.

III. Political

- 1) organizing public negotiation process of state institutions, cooperatives and their associations, as well as branch-wise enterprises which interact with the cooperative sector;
- 2) defining general and specific principles for the interaction between state and cooperatives.

IV. Economical

- 1) subsidizing interest rates;
- 2) state financial support of cooperative institutions.

These complex measures demonstrate large-scale and thorough approach to the development of the cooperative sector. The Russian Government definitely makes efforts for supporting



cooperative activity aimed at solving concrete economic and social tasks, such as employment promotion, or the development of activities benefiting disadvantaged groups (chapter II, para 7 of the ILO Recommendation 193).

2.2. Support of cooperative development by state institutions

A) Federation Council

An important work for the popularization of the cooperative sector is carried out by the Federation Council of Russia. Mr. Nikolaev, its Vice-Chairman is a very strong supporter of the cooperative movement and he is very active in promoting the cooperative idea.

Thus, on December 5 – 6 2002, on the initiative of the Federation Council of the Russian Federation parliamentary hearing was held on the theme “Essence and Role of Cooperation in National Economy”. In the framework of this hearing, meetings of three sections were held on agricultural, credit and insurance, and consumers’ cooperatives.

370 persons representing the Federation Council, State Duma, federal ministries and agencies, legislative and executive bodies of Russian regions, Central Union of Consumers’ Societies, Association of Farmers’ Households, League of Cooperators and Entrepreneurs, Association of Agricultural Producers’ Cooperatives, Union of Rural Credit Cooperatives, All-Russian Union of Agricultural Consumers’ Cooperatives, Russian Audit Union of Agricultural Cooperatives, the Central Bank of Russia, as well as a number of scientists, foreign specialists, cooperative members participated in this hearing.

This hearing was one of factors which influenced active cooperative development in subsequent years.

On 15 – 16 December of 2005, the Federation Council organized All-Russian Conference on the theme “Legislative Environment and Problems of Cooperative Development”. Discussion was centered on the concept paper “On Cooperatives in the Russian Federation”. 816 participants from 68 regions of Russia participated in this conference. A concept of a bill on cooperatives was also discussed.

Before the plenary session, sectional discussions were held on consumers’, credit, housing and construction, insurance, horticultural and dacha, producers’, agricultural producers’ and consumers’ cooperatives. Conference participants were of a general consent about the necessity of harmonizing civil, budgeting, taxation, customs legislation and a proper execution of existing laws. It was emphasized that cooperative legislation alone was not capable of solving numerous problems of the cooperative sector, since practical steps of assisting the cooperative sector, including measures of state support, were of prime importance. The necessity of a national program aimed at supporting all forms of cooperation in the Russian Federation, with a clear position of the Government and concrete financial assistance, was also emphasized. It was proposed at the conference that 2006 – 2007 years should be officially proclaimed as Years of Cooperation in Russia.

On July 4, 2006 the Federation Council held a meeting, which discussed the issue of the role of regional legislative bodies in securing the further development of cooperative movement in Russia. Cooperative representatives were invited to that meeting.

M. Nikolaev, the Vice-Chairman of the Council, presented a paper on this issue. It was marked, that the cooperative sector faced many problems of objective and subjective character. A number of causes were outlined: the absence of the legal norm for cooperative ownership in federal laws; imperfection of federal and regional legislative acts consigned to promote



cooperative movement; an evident underestimation of the role of the cooperative sector on the part of legislative and executive bodies at all levels.

At the same time it was noted, that despite unfavourable conditions the cooperative movement in Russia was developing, which proved its viability and prospectiveness.

It was also noted, that the cooperative development in the country was erratic. For many reasons it was due to the attitudes of local authorities and a level of their professional competence. The estimation of the state of cooperative activity in various sectors of national economy was also made in the report.

The motion on this issue contained suggestions concerning the inclusion of cooperative organisations in regional and municipal programs of sustainable social and economic development, as well as in the national priority development programs. It was suggested to conduct permanent monitoring of the state of legal regulations of cooperative activity and to elaborate proposals on their harmonizing. The Conference participants made an appeal to the Parliament of Russia on assisting in prompt consideration of the already prepared bills on cooperatives. A suggestion was made about setting up a working party at the Federation Council, consisting of representatives of central and regional legislative authorities and cooperative organisations for the elaboration of legislative initiatives on cooperatives. The motion included a recommendation to the Government to establish an All-Russian Council for the coordination of the cooperative development, and for the allocation of financial means for developing a training system, catering for cooperative needs of Russia.

For the second half of 2007 it was planned to organize under the auspices of the Federation Council a round table with the agenda “Legislative Support of Credit Cooperatives in the Russian Federation and Prospects for the Establishment of a Cooperative Bank”.

The Federation Council made an estimation of the importance of the cooperative sector along with conclusions that without a developed cooperative sector it would be impossible:

- to grow-up middle class;
- to secure employment for all, and hence to eliminate poverty;
- to create civil society;
- to secure economic freedom for all, but not for private capital alone;
- to attain civil peace, stability, and consolidation of society, which today is separated due to blatant contradictions between the rich and poor.

B) RF Government

It must be noted, that for the first time in 80 years the Government of Russia returns to the process of revival of cooperatives in agriculture, as the Priority National Project “Development of Agro-Industrial Complex (AIC)” was adopted. On the initiative of the Ministry of Agriculture, the national project includes an assignment for “Encouraging of the development of small economy forms in AIC”, which includes support of farmers, individual households, as well as the promotion of agricultural consumers’ cooperatives. Alexei Gordeev, the Minister of Agriculture, is of the opinion that the promotion of cooperatives, especially in the sphere of small economy forms, is one of primary tasks. According to the Minister, the following steps aimed at cooperative development will be undertaken within the framework of the Project:



1. Increasing and cheapening credit resources for individual and peasants' (farmers') households and cooperatives created by them, which would help to raise vendibility of these economies and income of persons involved.

The main tool — subsidizing the interest rates on loans obtained by them in commercial banks, in the amount of 95 per cent of refinancing interest rate of the Bank of Russia.

To this end, the Federal budget allocated 2.9 billion rubles in 2006 and 3.67 billion rubles in 2007, which allowed to attract loans for householders in the amount of about 20 billion rubles per annum.

According to the Ministry of Agriculture and the Bank of Agriculture, in 2006 an average amount of loans was 2 million rubles per peasants' household (the number of credited households is 8,000), per individual household — 100,000 (the number of households is 197.5 thousand), per agricultural consumers' cooperative — 3 million rubles (the number of cooperatives is 1550).

2. Modernization and development of infrastructure network of procuring, market-and-supply agricultural consumers' cooperatives (in 2006 about 400 cooperatives of this type were created; an expected number for 2007 — 600); processing cooperatives (in 2006 about 200 were created, an expected number for 2007 — 350); credit cooperatives (in 2006 — about 600, in 2007 — 400).

It is hoped that this measure will help to increase the volume of sales in the sector of small economy forms at the expense of rectified marketing-and-supply system, as well as to expand the accessibility to cheap credit resources for small economies.

For these purposes from the Federal Budget 3.6 billion rubles in 2006, and 4.5 billion in 2007 were allocated for the accession of share capital of the Bank of Agriculture.

At the expense of allocated resources the Bank of Agriculture provides credit assistance to newly-formed and existing agricultural consumers' cooperatives, as well as consultative services on legal and financial issues.

According to **V. Putin, President of Russia**, who took floor at the Council meeting on November 29, 2005, interests of rural working people must be the core of the tool for subsidizing interest rates, the formation of agricultural cooperatives and the land mortgage system.

On March 26, 2006, Ministry of Agriculture adopted the “Concept for the Development of the Rural Credit Cooperation”. Its main objective is to disseminate positive experience of rural credit cooperatives in regions of the Russian Federation in the field of attracting state and other sources of financing, for encouraging business activity of rural people aimed at the growth of employment and incomes of rural population. As a result of the development of credit cooperatives, it is hoped that in the nearest future necessary conditions will be created for providing credit services to at least one million members.

On the same date the Ministry of Agriculture adopted the “Concept for the Development of Agricultural Consumers' Cooperatives”. This concept is a framework document determining main venues and tools in the development of agricultural consumers' cooperatives to be used in the process of implementing the Priority National Project “Development of AIC”, in the elaboration of single-purpose and complex federal and regional programs for the development of agricultural consumers' cooperatives, harmonizing federal and regional legislation aimed at encouraging cooperative movement, etc.



The concept contains provisions determining economic essence, principles of activity and functional structure of agricultural consumers' cooperatives (excluding credit cooperatives); the estimation of their level of development in Russia (scales, main obstacles and risks); recommendations on the formation of the system of agricultural consumers' cooperation, state regulation and support of cooperative activity (perfection of legal environment, financial and credit support, informational, consultative and methodological provision, training, relationships with government and local administrative bodies); methodical approaches to monitoring cooperative development.

In April 2007, the Ministry of Agriculture elaborated a draft state program "Development of Agriculture and Regulation of Agricultural Produce, Raw Materials and Food Markets in 2008 – 2012".

A complex of measures for increasing the accessibility to credit resources for agricultural producers is one of the components of this program. The support of the formation and development of a crediting system for agricultural organisations is indicated as a priority task.

Another important task is formulated in the program with regard to the development of small economy forms in rural areas, in particular:

- secure the access of individual, peasants' (farmers') households and agricultural consumers' cooperatives to credit resources;
- develop the system of agricultural credit cooperatives;
- create and develop a network of agricultural consumers' cooperatives in the field of supply, marketing and processing;
- increase incomes of rural people.

On April 2006 the Ministry of Agriculture adopted Recommendations on the methodology for elaborating municipal and regional programs for the development of rural credit cooperation. There was a pressing necessity for such methodology, due to the fact that in many regions of Russia the process of developing rural credit cooperation, including the formation of agricultural credit consumers' cooperatives (ACCC) is rather sporadic and is not reinforced by a clear economic and social justification, concrete objectives and tasks. On the whole, the process is not controlled and it doesn't bear a purposeful programmatic character.

In compliance with clause 1, Article 7 of the Federal Law No.193 of 1995 "On Agricultural Cooperation", governmental support of the formation and activity of credit cooperatives must be brought into action on the basis of elaborated plans and forecasting of territorial development, and purpose-oriented programs. The Government is responsible for informational, scientific, professional provision of such activity.

The absence of purpose-oriented development programs in the regions doesn't allow to use tools of governmental support of rural credit cooperatives, for which, considering their specific features, any protraction may be extremely painful.

Regional and municipal purpose-oriented programs for the development of rural credit cooperatives must become a consistent part of the state policy in this sector of agrarian economy. In the course of their elaboration it is necessary to base upon main goals and basic principles, formulated in the National Priority Project "Development of AIC" for the development of small economy forms, and in the Concept of Developing the System of Rural Credit Cooperation.



The Program of Social and Economic Development of Russia for 2006 – 2008, adopted by the Russian Government by Decree No.38 of January 19, 2006 determines key venues of active economic policy, aimed at attaining strategic objectives of development, such as raising living standards of people and elimination of poverty, on the basis of dynamic and sustainable economic growth. The Program envisages the solution of a number of tasks for the development of different sectors of economy, including agriculture. One of the venues is interacting with non-governmental organisations in the field of employment.

C) Regional authorities

In the last years, regional authorities are becoming more active in the development of the cooperative sector. In many ways it is connected with difficult economic conditions in agriculture, the activation of federal authorities, and the development of cooperative organisations in the regions. Beside that, regional authorities began to shift from chaotic unsystematic policy (especially in agricultural sector) to long-term competent strategic planning the development of cooperatives and their organisations. To this end, in many regions of Russia purpose-oriented programs for a 3–5-year term were adopted for systematic development of consumers' cooperatives.

In 30 subjects of the Russian Federation programs for supporting consumers' cooperatives, engaged in crediting small enterprises, were started. In line with these programs, subsidizing of interest rates on loans obtained by cooperatives in commercial banks is made. During a two-year period, the federal budget allocated 60 million rubles for such subsidizing.

For example, in September 2005 the Leningrad region Government adopted a regional program under the title “Development of Consumers Cooperation until 2010”. Within the framework of this Program, over one billion rubles is to be allocated from regional and municipal budgets to support consumers' cooperatives, including budget loans to cooperative organisations for increment of revolving funds and investments.

In St.-Petersburg, the Second All-Russian Congress of the “Union of Horticulturists of Russia” was conducted. The Congress discussed acute issues and problems of horticultural movement and stressed the necessity of their solution at the state level, as well as issues concerning the realization of the regional program (the first program ever adopted in Russia) “Development of horticultural, gardening and dacha non-commercial associations of citizens of St.-Petersburg“. In this Congress governors and vice-governors of 75 regions of Russia took part, along with the leaders of regional cooperative unions. Within the framework of the Congress a scientific-technical conference was organized on the theme “Practical Implementation of the Federal Law No.66 of 15.04.1998 “On Horticultural, Gardening and Dacha Non-Commercial Associations of Citizens”.

The St.-Petersburg Government's special program, titled “Development of Non-Commercial Associations of Land-Owners and Land-users in St.-Petersburg in the Sphere of Horticulture, Gardening and Dacha Households for 2003 – 2010” envisages a number of steps for the modernization of engineering and technical, communal and social infrastructure of these associations, as well as for an efficient system of state support to provide for basic life necessities and security of horticulturists. For the implementation of this program the regional budget allocated 800 million rubles for the 8-year period.

In Astrakhan region, its Government adopted a complex program “Development of Consumers' Cooperation in Astrakhan Region in 2007”, as an integral part in the realization of National Priority Project “Development of AIC”.

The total amount allocated for this program is 130 million rubles. The anticipated results of this program are as follows:



- total number of functioning credit consumers' cooperatives must reach 15 (agricultural — 12; citizens' — 3);
- number of members must increase to 2,000 (including 1,000 in agricultural cooperatives);
- volume of loans provided by cooperatives per annum will increase to 280 million rubles (the share of agricultural credit cooperatives — 250 million);
- the value of annual gross output of agricultural produce in individual households is estimated at 5 billion rubles, in peasants' (farmers') households — at 1.4 billion.
- the number of market-and-supply cooperatives will reach 8;
- the number of members of rural consumers' cooperatives — 2000;
- annual turnover of market-and-supply cooperatives will be not less than 80 million rubles (material and technical supply — 60, marketing — 20);
- turnover of consumers' societies is expected at 750 million rubles, public catering enterprises — 50 million, production enterprises — 100 million, consumer services — 30 million.

In Yaroslav region, a complex program aimed at supporting consumers' cooperatives through the development of small economy forms in rural areas was adopted for the period 2007 – 2011. This program envisages organisational and financial support for farmers' and individual households, horticulturists, as well as the development of credit, insurance, market-and supply, servicing and processing consumers' cooperatives functioning in the rural area. During this period it is planned to create about 28 cooperatives of all types and not less than 50 representative offices in all municipal districts of the region. Regional budget is supposed to allocate 278 million rubles in the form of subsidies, which is thought to help increase the volume of cooperative services in the region to the amount of 350 – 400 million rubles per annum by 2011.

In the Karelian Republic, a Republican single-purpose program “Development of the System of Credit Cooperation in the Republic of Karelia for 2005 – 2007” was adopted. In compliance with this Program, all existing and newly-formed credit cooperatives of citizens and agricultural consumers' credit cooperatives are to be included in current and long-term development plans of all municipal districts of the Republic.

D) The role of cooperatives in promoting employment, fighting poverty and securing gender equality

When considering the differentiation of poverty in a settlement aspect, one has to note that **the risk of getting into the category of the poor is much higher in the country-side**. It can be explained by a higher level of unemployment and low wage level in most rural settlements. It should also be noted, that despite a low average wage level the coefficient of wage differentiation in agriculture is 31.6 times — one of the highest (only banking sector has a higher coefficient).

Federal Program “Eliminating Differences in Social and Economic Development of the Russian Federation Regions during 2002 – 2010 and until 2015 was adopted and being implemented. It consists of two stages:

- At the first stage of the implementation (2002 – 2010) measures are being undertaken to reduce by 25 per cent the number of the RF subjects, falling behind in basic social and



economic indices. As a result, the share of the population with incomes below subsistence level will be reduced by 15 per cent.

- At the second stage (by the end of the Program in 2015) it is planned to reduce inter-regional differences in people's incomes per capita by three times; the number of regions falling behind — by two times; and to reduce the share of people with incomes below subsistence level — by 25 per cent.

In compliance with the legislation of the Russian Federation, the regions adopt their own laws and other normative and legal acts on fighting poverty and addressed social insurance. In Belgorod region, the Program “Improving Living Standards in Belgorod Region” was adopted and is being implemented. In Tomsk region, the Strategy for eliminating poverty was completed in 2005. In St.-Petersburg, Moscow, in Samara regional purpose-oriented programs were adopted and a limit value indices of vital functions of these regions were determined.

The government and regional authorities view cooperatives as one of important sectors, providing for the improvement of financial position of people, especially rural inhabitants.

In Russia, there are three important economic factors influencing poverty:

1. Decrease of average level of monetary income of people;
2. Low level of minimum social guaranties;
3. Growing inequality in the distribution of income.

Cooperatives in the course of their development make a positive influence on changing all the three factors. One can state therefore that the cooperative can be an efficient tool for eliminating poverty.

In Russia, another aspect of poverty — **gender inequality** — has become stronger. In Chapter II, Paragraph 8 of the ILO Recommendation 193 it is said that national policies should include the promotion of gender equality. In the contemporary Russia one can speak of the feminization of poverty. It is conditioned by women's lag in professional career (despite a higher educational level of women), a lower wage level in sectors with predominant employment of women, and correspondingly lower pensions. In the conditions of the market economy these differences became even stronger. A lower competitiveness of female work force is connected with reproductive function and “double” employment of women (in their workplace and in the family), national mentality with negative attitude to a woman's career.

However, cooperatives begin to engage in solving this problem as well. For example, in a credit cooperative named “Capital” (Yaroslav region), out of 57 individual households' members 21 are women members, comprising 37 per cent of the membership. The cooperative employs 5 persons, 4 of them are women. This typical example may serve as a proof of the role of cooperatives in promoting employment of women and hence, raising family income.

The involvement of youth to the cooperative sector is not sufficient. Again, to take the cooperative “Capital” as an example, its membership and staff mainly consist of persons of the age between 35 – 55 years. The number of members younger than 30 is less than 10 per cent., and below 25 years of age — less than 3 per cent. One can conclude from this example that cooperatives do very little for youth involvement.

The year of 2007 is proclaimed as Year of Youth and many cooperative organisations insist on encouraging a more active involvement of young people in the cooperative movement.



The best way to do it is to popularize the cooperative idea, disseminate information and knowledge on cooperatives, educate people and strengthen social status of the cooperative.

3. Implementation of state policy for the promotion of cooperatives

The basic element of implementing state policy is the adoption of concrete legislation and normative and legal acts on cooperatives. At this, Government bodies must be guided by internationally recognized cooperative values and principles (Chapter III, Paragraph 10 of the ILO Recommendation). Governments should also recognize the role of cooperatives and assist in the development of tools for the formation and strengthening of cooperatives at national and local levels.

3.1. Cooperative legislation in Russia

In the last five years since the ILO Recommendation 193 was adopted, the Russian cooperative legislation was renewed and improved with the purpose to bring it to conformity with needs of Russian cooperators and international cooperative norms, so that it could serve as an efficient tool of cooperative development. At the same time, there are still many flaws and problems in the sphere of cooperative legislation of Russia.

In contrast to many countries with stable legal norms and practices, the activity of cooperative organisations in the Russian Federation is regulated by a totality of legislative normative acts, which are not marked by order and logical harmony.

The Civil Code of Russia provides for general legal foundations (Article 50, part 3, Article 116). Other existing laws “On Consumers’ Cooperation (Consumers’ Societies and Their Unions) in the RF”, “On Agricultural Cooperation”, “On Credit Consumers’ Cooperatives of Citizens”, “On Housing Accumulation Cooperatives” are branch-oriented and do not settle the diversity of multiple cooperative forms. The laws on agricultural cooperation and on consumers’ cooperation unite subjects different by their economic substance and legal nature (production versus loaning-borrowing relations).

The absence of unified normative requirements regarding cooperative organisations hinders the application of common standards to their activity, e.g. accounting and reporting by model rules, in creating accumulated data bank on these organisations and conducting monitoring at a federal level.

During the last years several federal laws were adopted, aimed at improving legal status of cooperative structures and their associations. However the formed legal environment doesn’t secure competitiveness and sustainable development of cooperatives. Many adopted laws require amendments and additions.

One of most serious causes hindering the development of rural cooperatives, and hence, the use of its potential to a full extent, is the absence of appropriate legislation.

At present, the legal foundation of the formation and functioning of credit cooperatives comprises The Civil Code of the RF, federal laws “On Agricultural Cooperation”, “On Consumers’ Cooperation”, “On Credit Consumers’ Cooperatives of Citizens”. However, no one of these laws meets modern requirements to legislative environment with regard to credit cooperatives, since the field of legal regulation of each of the laws is strictly limited by its specialization.



The absence of a unified legislative environment for credit cooperatives not merely hinders the development of this important and socially significant sector of financial services, but forms ground for a conflict situation with relative governmental institutions, including those which perform supervisory functions with regard to credit cooperatives. The adoption of a federal bill on credit cooperatives, which is at present under consideration, and being prepared for the second hearing at the State Duma, would help to eliminate these differences and contradictions, as well as to solve other acute problems of credit cooperatives.

The creation of sustainable legal foundation for credit cooperatives should be viewed as one of the most important pre-requisites of the elaboration and adoption of a purpose-oriented program for developing credit cooperatives in Russia, strengthening governmental support, determining unified legal norms for their activity, including accounting and taxation policy, and conducting thorough theoretic and scientific research on rural credit cooperative movement.

At the All-Russian Conference on Housing Cooperation it was noted, that the present legislation is aimed not much at the development, but rather at containment of credit cooperatives by putting various obstacles and limitations. This is especially evident in the housing-construction sphere. Since 2003, the efforts of government bodies in the field of housing mortgage turned out to be contradicting to all economic laws and life realities. Along with the attempts to introduce banking mortgage, the legislation was toughened for private associations of citizens participating in housing-constructing. Limitations of the Soviet past nature still dominate in the existing legislation, and above that, new laws were made in the same manner, in particular the dolefully known law “On Housing Accumulating Cooperatives”, which practically killed the opportunity of acquiring real estate with the help of housing cooperative scheme. This situation led to the termination of housing-constructing cooperatives’ functioning on the one hand, and pushed up the creation of a new model of cooperative financing housing construction on the other. This model expressed itself in the form of consumers’ mortgage cooperatives, which served as a basis for the development of housing-constructing savings cooperatives.

In the Civil Code and in the Code on Taxation, specific character of cooperatives is not defined. The framework federal laws “On Cooperation in the USSR” and “On Agricultural Cooperation” require corrections and additional normative and legal acts for their due implementation. The Concept for the development of consumers’ cooperation underlines the expediency of the following legislative changes:

- to make amendments to the Civil Code of Russia, with a view of defining specific character of cooperatives as economic actors of a particular character (*sui generis*), which do not fall under a category of a joint-stock society or limited company;
- to adopt a framework federal law on cooperatives, instead of the law “On Cooperation in the USSR”, which would determine general features of a legal status of all kinds and types of cooperatives, and particular features of individual types, including agricultural cooperation;
- to elaborate a new text of the federal law “On Agricultural Cooperation” with the purpose of a more differentiated regulation of agricultural producers’ and consumers’ cooperatives;
- to make amendments to the Code on Taxation with regard to securing equal legal status for agricultural consumer cooperatives and agricultural producers, which would allow cooperatives to use the taxation regime of a “single agricultural tax”, applied to agricultural producers, instead of four different taxes — on added value, on property, on surplus and single social tax;



- To make amendments to the Code on Taxation with a view of introducing new rules, according to which all newly-formed agricultural consumer cooperatives would be tax exempt for the period of their transient build-up — 10 to 15 years.

In compliance with the existing law “On Agricultural Cooperation”, many important issues concerning functioning of cooperatives are left to be stipulated by cooperative by-laws (e.g. according to the Law, the order of termination of membership and expulsion from membership must be stipulated in the by-laws). However, it is thought expedient that the law should determine at least a general approach to such issues.

A more detailed regulation by law is needed for the issue of distribution of losses and the order of their redemption in consumers’ cooperatives.

Article 38 of the Law requires rectification in the part which stipulates agreement relations between the cooperative and its members (clauses 1 and 2). The Law gives only general provisions, like “the cooperative and its members can conclude agreements...” or “an agreement may stipulate conditions on responsibility of the parties...”. Instead of such generalities, the law must precisely formulate a mandatory condition for the conclusion of different agreements, depending on the type of cooperative activity.

It is also expedient, that the Ministry of Agriculture should elaborate a number of recommendations for the better application of the Law, including methodological recommendations on the order of concluding and executing agreements, accounting and financial reporting, model agreements, model by-laws of agricultural cooperatives of different types, etc.

One can give a number of examples concerning changes in Russian cooperative legislation.

On November 3, 2006 Federal Law No.183 on amendments to the **Federal Law “On Agricultural Cooperation”** and to a number of individual legislative acts, was adopted (Collected Edition of. Legislation of the Russian Federation, 1995, No.50, Article 4870; 1997, No.10, Article 1120; 1999, No. 8, Article 973; 2002, No.12, Article 1093; 2003, No.2, Article 160; No.24, Article 2248).

The amendments determined the minimum number of members in a credit cooperative, which cannot be less than 15 physical persons and/or 5 legal entities. State and municipal unitary enterprises and joint-stock societies, whose shares are owned by state, are forbidden to be members of credit cooperatives.

Amendments were made with regard to the formation of indivisible fund and functioning of audit unions. A paragraph concerning the formation of self-regulated organisations of audit unions of agricultural cooperatives was added.

On December 29, 2006 the State Duma passed the **Federal Law No.264 “On the Development of Agriculture”** by which agricultural consumers’ cooperatives (processing, marketing, service (including credit cooperatives), supply, procuring), established in compliance with the Federal Law of 1995, No.193 “On Agricultural Cooperation”, were formally recognized as agricultural producers, and therefore the Law envisages their inclusion in the system of mandatory state support in securing their access to credit resources.

In compliance with **Chapter 26.1 of the Code On Taxation of the Russian Federation** a privileged regime of taxation of agricultural producers was set up – single agricultural tax (SAT). Starting from January 1, 2007 the right of transition to the single agricultural tax was accorded to agricultural consumers’ cooperatives (processing, marketing, supply, horticultural, and cattle-breeding). The taxation rate of SAT is 6 per cent.



In some regions of Russia regional laws were adopted aimed at the development of credit cooperatives. For example, such legislative acts were adopted in Volgograd, Vladimir, Orel, Kursk, Saratov regions, Altai territory, and a number of other subjects of the Russian Federation.

Federal Law No.215 of December 30, 2004 “**On Housing Accumulating Cooperatives**” formed legislative foundation for housing construction sphere in the Russian Federation. It set up a legal status of housing accumulating cooperatives, rights and obligations of its members, the order of formation, reorganization and liquidation of cooperatives, as well as the order of attracting and using financial means of citizens for acquiring real estate.

In April 2007, the State Duma adopted in the first hearing the Bill “**On Amendments To Some Legislative Acts of the RF Concerning the Development of Low-Rise Housing-Constructing of Territories**”. The Bill suggests amendments to the Civil, Housing, Land and City-Constructing Codes, as well as to the laws “On State Registration of Real Estate and On Related Deals” and “On Horticultural, Gardening and Dacha Non-Commercial Associations of Citizens”. These amendments will affect organisational and legal forms of non-commercial associations — cooperatives which deal with low-rise housing-constructing. Low-rise constructing is defined as settlements consisting of not less than forty 4-storeyed houses (maximum height of building). Members are supposed to make advance payments of 20 – 25 per cent of the real estate cost, and pay out remaining amount on installments for 10 – 20 years. After settling all payments the real estate is transferred to the ownership of either a member, or a cooperative.

The state responsibilities with regard to cooperatives are defined in Article 7 of the Federal Law “On Agricultural Cooperation”, where it is declared that “the state shall encourage and support cooperative activity through allocating financial means from federal budget and from regional budgets for acquiring and servicing processing and service enterprises, for the formation of credit and insurance cooperatives on the basis of elaborated plans, prognosis and purpose-oriented programs for the development of territories, as well as through providing scientific, personnel and informational assistance”.

Cooperative structures, jointly with the Government are actively engaged in preparing new legislative initiatives.

Thus, on the Government’s initiative, the Program of Social and Economic Development of the Russian Federation for Middle-Term Perspective (2006 – 2008) includes the elaboration of amendments to the Federal Law “On Credit Consumers’ Cooperatives of Citizens”. In the framework of the elaboration of this issue by the Ministry of Finance, a special Inter-Departmental Council was set up, which is engaged in the preparatory work.

The Bill on credit cooperatives elaborated at the Ministry of Agriculture was passed over to the Ministry of Economic Development and Trade for follow-up revision and preparation for the second hearing.

On the initiative of the Federation Council of the RF, the **Bill “On Cooperation in the Russian Federation”** was elaborated and submitted to the Government for expertise. This Bill is aimed at determining uniform legal foundations for all the existing and newly-formed cooperatives in the Russian Federation, with the consideration of internationally recognized cooperative principles and values. It is hoped that the law will provide for equal conditions for all cooperatives, irrespective of their kinds and forms.



3.2. Informational and consultative support of cooperative development

One of the basic prerequisites of successful development of agricultural cooperation is to provide for cooperatives', peasants' (farmers) and individual households' access to the market of scientific, educational, consultative services and information.

Since consumers' cooperatives represent a unified system with members' households and other agricultural enterprises as economic actors, it is expedient that consultative and informational servicing their members and employees should be conducted from integrated educational or consultative centres. To form such centres for cooperatives alone is not thought reasonable. This rule should be applied to all levels of informational and consultative system.

At present, the Ministry of Agriculture is forming the Integrated System of Informational Services of Agro-Industrial Complex (ISIS AIC), in the framework of which cooperative members and prospective members can obtain actual qualitative information about state agrarian policy, conditions for credit, taxation, subsidizing, trade volumes, prices, etc.

It is intended to create a specialized data-bank; to publish and disseminate educational, methodological, reference materials; to conduct research; to organize specialized exhibition-demonstration activities.

The implementation of this system will allow to raise considerably the level of awareness of rural people, including legal issues; to prepare methodological foundation for training target groups and improving professional skills; to create conditions for the exchange of experience.

For this work it is thought expedient to create an informational-consultative service for promoting cooperative development as a part of the Integrated System, under the auspices of the Ministry of Agriculture and the AKKOR. Relationships between the Ministry and the AKKOR can be regulated by special agreements.

A two-level model of such an informational-consultative service is suggested. The first (higher) level is represented by a Federal Service at the Ministry of Agriculture and AKKOR. In this Service, a federal methodological-training Centre for the development of small economy forms in the AIC and in agricultural consumers' cooperatives can be established. The said Centre would assume the function of guidance and strategic development of the cooperative system.

In June 2004, the construction of Methodological and Training Centre for the Association of Credit Unions of Central Zone of Russia was accomplished in the town of Dubna of the Moscow region. Training auditorium of this Centre, accommodating 20 people, can be used for organizing training courses and seminars both with target groups of people intending to form a credit cooperative and with leaders and members of credit cooperatives affiliated with the Association.

3.3. Cooperative education, science and training

The practice of the development of the Russian cooperative movement was such, that no one of the existing cooperative unions, with the exception of consumers' societies, has its own educational institutions, or is capable of independently organizing personnel training.

The establishment of a new educational institution requires much of costs even in the system of consumers' cooperation — the largest in Russia. Over the last years of market transformations new training institutions were not created, all of them were inherited by the Centrosoyuz of Russia from the former Centrosoyuz of the USSR.



However, the state authorities do not take into consideration the difficulties concerning cooperative education. For example, in October 2006 the State Duma passed the Federal Law “On Autonomous Institutions”, which provides legal background for the reform conducted by the Ministry of Education and Science, in particular, concerning the issues of changing organisational and legal form of educational institutions into that of autonomous non-commercial organisation. At this, the Federal Law doesn’t even make any reference to a specific character of the cooperative educational institutions, which in case of being transformed into the said category of “autonomous organisations”, may become privatised with a takeover of cooperative property, which is under working management of the cooperative training institutions.

At present, the consumers’ cooperatives system possesses many training institutions (universities, institutes, their branches, and colleges). For example, only Belgorod and Siberian Universities of consumers’ cooperation, trained respectively 45 and 60 thousand specialists who work in the cooperative system and in other fields of national economy.

The governmental support of the development of cooperative educational system is very important. In this connection, the decision made by the Federation Council of the RF on July 4, 2006, concerning state support for cooperative development, to include in the relevant recommendations to the RF Government a request “to envisage the allocation of financial means from the federal budget for the development of system for training and retraining personnel for Russian cooperative organisations”, deserves a high appraisal.

At present, even higher educational establishments for agriculture, which are the closest to the cooperative sector, do not teach cooperative subjects limiting themselves with training specialists of narrow profile. Nonetheless, nowadays exists an acute need for the introduction of new specialties, e.g. agricultural cooperation, credit cooperation, housing and housing-constructing cooperation, etc.

Cooperative organisations endeavor to change the situation in the field of cooperative training to the better, and some facts may illustrate their efforts.

On April 5, 2007 the International Academy of Cooperation was founded. Belgorod and Siberian Cooperative Universities were among its founders. The expediency of the establishment of the Academy was caused by a retard of cooperative science from the present needs of cooperative organisations on the one hand, and by unsatisfactory level of training specialists for the work in cooperatives and their associations on the other, especially in the fields of producers’, housing, credit and other types of cooperatives.

It was planned to organize a round table on the theme “Development of cooperative science and training specialists for cooperatives” in the second half of 2007.

At the Moscow Cooperative University, an autonomous non-commercial organisation of higher professional training of the Centrosoyuz of the RF, “The Russian University of Cooperation” — a scientific and educational methodological centre, functioning in the unified system of cooperative education and training, — was established with the aim of reproducing qualified cadres for the cooperative sector of Russia.

In 2006, a conceptual idea for the development of the Russian Cooperative University until the year of 2018 was elaborated, which presupposes that the principle employers who shall determine qualification requirements for training cooperative specialists must be the cooperative organisations of Russia — consumers’, agricultural, producers’, credit and other cooperatives and their associations.



Special role is allocated to cooperative research, which can be conducted by highly qualified teaching staff in the existing cooperative training centres. At present, such research is carried out only for consumers' cooperatives comprising the Centrosoyuz system. The scientific potential, possessed by cooperative training centres is not called for to a full extent, and therefore it may be used for scientific coverage of concrete applied problems of the cooperative development.

For successful development of agricultural consumers' cooperation, training and retraining is most essential for farmers, householders, rural entrepreneurs, specialists of different types of cooperatives, micro-finance and consultative organisations, target groups for developing farmers' self-management, state and municipal employees in charge of promotional and support activities related to rural development.

In this connection, it is imperative that the Ministry of Agriculture of Russia undertake the following steps:

- to elaborate methodological and training materials for agricultural and cooperative educational institutions, as well as for the already established federal and regional methodological and training centres;
- to introduce in curricula of higher agricultural training institutions and colleges a special mandatory discipline for a training course on economy and organisation of agricultural cooperatives;
- to expand training of agricultural producers, employees of managing bodies of AIC and municipal authorities, as well as teachers and trainers in the field of agricultural consumers' cooperation, through the system of training for agriculture, general-purpose universities, and established methodological and training centres.

The reconstitution of the efficient system of credit cooperation in Russia logically entailed the need for professional training of specialists, who would secure its functioning, perfection and further development. It is commonly known, that true science is able to forecast prospective needs of practice. Scientists of the Volgograd State Agricultural Academy, among the first in Russia, actively joined in the elaboration of the problems, related to professional training of leaders and personnel of this particular field.

As a result of their fruitful work, the Chair of Rural Credit Cooperation, the first in Russia, was established in 2001. From the very beginning of its functioning it was inseparably tied up with practical work of the Volgograd Regional Credit Union "Commonwealth".

Some time later, as a part of work aimed at the accomplishment of the National Project "Development of AIC" another Chair — "Economic Theory and Rural Credit Cooperation" — was established at the Faculty of economy, which have already trained a number of brilliant young scientists, post graduate students, actively engaged in the elaboration of different aspects of theoretical and practical work connected with the activity of credit cooperatives.

In 2006, on the basis of the Faculty of Supplementary Training and Retraining, a training centre was opened for leaders and specialists of rural credit cooperatives. A number of methodological and training materials were also prepared (studies, a manual, methodological recommendations, a course of lectures and practical work).

All this served as a basis for a task-oriented activity of the Academy aimed at the creation of a multi-level system of training specialists in the field of the credit cooperation.



- The first level is a basic program of higher professional training of students at the Faculty of economics on specialty “Economy and Management at AIC Enterprises”, with a specialization “Cooperation and Agro-industrial Integration”, through on sight or distant forms of learning, including shortened terms of training (on the basis of secondary education professional training);
- The second level is an advanced training in career enhancement for leaders and specialists of various structures of the system of agricultural credit cooperation, at the courses “Agricultural Credit Consumers’ Cooperation” and “Training Leadership Reserve for Credit Cooperatives”. In 2006, these courses were attended by leaders and specialists of 36 agricultural credit cooperatives of Volgograd region.
- The third level embraces training seminars, in particular, on the issues of the expansion of cooperative environment and formation of new cooperatives, the course entitled “Training Managers of Agricultural Consumers’ Cooperatives”. In 2006, 168 persons from 84 cooperatives of Volgograd, Astrakhan, Rostov, Penza, Saratov regions and Kalmyk Republic attended this course. This level includes a number of regional, national and international conferences, collaboration with the German Reifeisen Union, and with the Canadian Dejardin Group.
- The fourth level includes traineeships and tours of duty of professorial staff from Samara State Agricultural Academy and Karachaevo-Cherkessia State Technological Academy for studying the organisation of training process for credit cooperatives; assistance to other Russian education and training institutions in informational research (All-Russian Research Institute on Economy, Labour and Management, Volgograd State University, Kislovodsk Institute of Economy and Law).
- Fifth level includes post graduate courses on problems of the credit cooperation for candidates both from inside and outside the Academy, including post-graduate students from Germany.

Such multi-dimensional activity made it possible for the Academy to reach a brand-new level of development of the created system.

Cooperative structures made some suggestions for the further development of the cooperative sector of Russia.

Suggestions were made to begin a new **national project “Cooperative Russia”** which is to make provision for the following:

- formation of a clear and substantial protective state policy, including the elaboration and timely enactment of adequate laws, in line with the present conditions;
- substantial increase of state-guaranteed orders to allow the recovery and loading of the capacities of cooperative enterprises;
- renewal of state support to cooperative education and training and to the dissemination of the cooperative idea;
- introduction of special favorable taxation regimes for cooperatives, encouraging main actors of the market for collaboration and joint economic activity with cooperatives;
- access to credit on favourable terms for cooperatives.



In the framework of the project “Cooperative Russia” all the crack-brained and unjustified limitations and obstacles to cooperative activities must be lifted, as well as the interference of state authorities in cooperative affairs.

The **draft Cooperative Code** which is now under discussion, must contain basic principles and categories of the cooperation, general provisions concerning legal status of cooperatives, rights and obligations of cooperative members, classification of cooperatives, the limits of state interference in cooperative activities, responsibility of cooperatives.

It is suggested, that a **High Coordination Council on Cooperative Development** in the Russian Federation is to be formed under the President, or the Government of Russian Federation, for the promotion of cooperative movement and coordination. Within this Council a working party on harmonizing cooperative legislation must also be established.

3.4. Relationships between different cooperative structures and organisations

Relations between different cooperative structures can play a special role in the development of the cooperative movement. At present, consumers’ cooperation of the Centrosoyuz system is an important element of rural infrastructure and it actively participates in the development of AIC. Consumers’ societies procure agricultural produce from rural population, process and market it through their wholesale and retail networks. Cooperative organisations possess a developed material and technical base in all the regions of Russia, a rich experience of business cooperation with individual and farmers’ households, qualified and experienced specialists and workers, and, what is especially important, educational centres for their training. Consumers’ cooperative organisations could be affiliated to agricultural consumers’ cooperatives as members, or associated members and lease out their premises, warehouses and machinery.

Mutually beneficial cooperation is also possible with integrated agro-industrial joint-stock enterprises (engaged in processing, agricultural service, etc.), to which agricultural consumers’ cooperatives could supply raw materials, manufactured products and, on their own part, to order necessary materials, machinery, accomplish repair works, etc. Cooperation is possible with other agricultural organisations as well.

The issue of rational interaction of cooperatives and cooperative associations among themselves and with farmers’ member organisations affiliated to the Association of Farmers’ Organisations of Russia (AKKOR) at district, regional and federal level is of a paramount importance.

At a district level, consumers’ cooperatives can be affiliated to district farmers’ organisations. Strengthening them by their participation, both organisationally and economically, the cooperatives would facilitate the solution of local problems with a view of improving working conditions of households, small enterprises, and cooperative members as well.

At a regional level, individual cooperatives and cooperative unions can be affiliated to regional associations of small producers. There is also another opportunity of mutual cooperation on an agreement basis.



4. Role of employers' and workers' organisations and cooperative organisations and relationships between them

On the whole, the role of employers' and workers' organisations is very insignificant, as they don't influence much the cooperative development. One can hardly find any information about participation of these organisations in the cooperative movement.

Nevertheless, the role of some organisations in their stand towards cooperatives should be noted.

Trade unions

On November 10, 2005 the Fourth Plenary Meeting of the Russian Council of the Trade Union of Employees of Consumers' Societies and Entrepreneurship of Russia was held in Moscow. It was noted at the meeting, that in the system of consumers' cooperation, the course for fighting poverty was set by the expansion of social activity of cooperatives in rural areas, what determined a basic element of the trade union's policy in protecting interests of cooperative employees. During the validity period of the Agreement, the number of consumers' societies, in which the wages were raised above the subsistence level, increased by 2.5 times. Overdue repayment of wages decreased by three times.

Positive changes took place in providing for secure labour conditions. Jointly with the consumers' societies a number of inspection contests on the protection of labour were organized.

At the same time, a serious concern was spoken out in connection with the absence of regional agreements in a number of regions, and collective agreements at many societies and individual enterprises. Special concern was caused by a low level of social protection in newly-formed, or reorganized societies and their enterprises. In some places a practice of liquidating trade unions also took place.

The Council adopted a resolution, which essentially approved a Draft Federal Sector-Wise Agreement with the Centrosoyuz of Russia for 2006 – 2007.

The Trade Union of Employees of Agro-Industrial Complex (TUEAIC) is in charge of protecting interests of workers in agricultural cooperatives. However at present, its activity is basically connected with agricultural producers' cooperatives alone; many other various types of cooperatives are not embraced by trade-union agreements. A regular practice is that regional trade-union committees conclude regional agreements with regional AIC departments. These agreements stipulate commitments of the parties concerned in the sphere of labour-management and economic relations, employment and training, remuneration and protection of labour. Thus, the Agreement provides for the basis for contracts at a district level, and for collective agreements at enterprises and organisations of AIC. In collective agreements between workers and employers, additional social benefits for encouraging workers' labour are to be specified.

At a later stage, trade unions conduct monitoring on the fulfillment of commitments on the part of AIC departments, as well as of conditions laid down in collective agreements between the enterprise (cooperative) and its employees.

Another trade union — Union of employees of trade, public catering, consumers' societies, entrepreneurship of the Russian Federation, named "Trade Unity" was founded in 1990. This union caters for the needs of employees of the above-mentioned sectors of all forms of legal and organisational status and ownership, including students of professional educational institutions of relative profiles.



This union is affiliated to the Federation of Independent Trade Unions of Russia, the Confederation of Trade Unions of Trade Employees of the CIS, international trade union organisations — UNI and IUF.

The union “Trade Unity” collaborates with the Ministry of Economic Development and Trade (participates in the Expert Council for Trade and Consumer Services at the Ministry, established on the trade-union’s initiative), factions and committees of the State Duma of the RF in the development of consumer market and protection of economic and social rights of working people.

Church

An agreement between the Centrosoyuz of Russia and the Moscow Patriarchy on collaboration in the field of the revival of moral and spiritual values, orthodox traditions, fighting poverty and social vices in rural Russia was signed some years ago.

Political parties

In 2003, an agreement between the Centrosoyuz of Russia and a political party “United Russia” was signed with the aim of consolidating constructive forces of Russia for joint efforts in attaining prosperity of people and in forming civil society.

On July 4, 2007 a meeting of E. Kuznetsov, the Chairman of Centrosoyuz Council, and V. Volodin, the Vice-Chairman of the Duma Faction of the party was held. At the meeting, issues concerning the fulfillment of the Agreement were discussed, as well as prospects for collaboration in the future.

It was noted during the meeting, that a number of initiatives of Centrosoyuz on the participation of the consumers’ societies in the development of economic and social infrastructure of the country-side would likely be supported at the federal legislative level. Issues discussed during the meeting included the agreement to start a joint project for training young people in the education institutions of the Centrosoyuz. Since the year of 2007 was proclaimed as the Year of Youth, it was agreed that it could provide for a good background for cooperation.

Other organisations

In agricultural sector, an important role in supporting cooperative activities plays the Association of Peasants’(Farmers’) Households (AKKOR). Main trends of collaboration are the promotion of cooperative movement, disseminating information among farmers, assistance in the formation of consumers’ cooperatives in agricultural sphere. In 2006, at an agricultural conference held on the Ministry of Agriculture initiative, B. Telegin, the Chairman of the AKKOR presented a report on the theme “Experience in the formation and development of consumers’ cooperatives”.

Cooperatives also collaborate with the joint-stock Bank of Agriculture of Russia. In the framework of the Priority National Project “Development of AIC”, in the course of the realization of the program “Encouraging small-economy forms”, it was suggested that the Bank can become an associated member of rural credit consumers’ cooperatives with the purpose of raising the level of their capitalisation. Financial means deposited by the Bank shall be allocated to crediting cooperative members. The Bank may enter the associated membership of already existing (more than a year) and newly-formed cooperatives.



5. International Cooperation

In the latest years, the international cooperative community actively participates in the development of fruitful cooperation with the Russian cooperative sector. In the ILO Recommendation No.193 it is said that international collaboration should be facilitated through exchanging information, encouraging and promoting linkages between national and international bodies involved in cooperative development.

On June 24, 2002 on the initiative of the Centrosoyuz of the RF , an international organisation — the League of National Unions of Organisations of Consumers' Cooperatives of the CIS countries was founded for coordinating their joint work in the development of cooperation, exchange of experience and protection of cooperatives' interests and joint participation in the international cooperative movement.

The founders of this Association were:

- Belorussian Republican Union of Consumers' Societies;
- Central Union of Consumers' Societies of the Russian Federation;
- Union of Consumers' Cooperation of the Republic of Kazakstan;
- Union of Consumers' Cooperation of Kyrgyzstan;
- Central Union of Consumers' Cooperatives of Moldova Republic;
- Tadjik Republican Union of Consumers' Societies;
- Central Union of Cooperatives of Azerbaidjan;
- Union of Consumers' Cooperation of the Republic of Armenia.

On June 13, 2006 an International theoretic and practical conference, devoted to contemporary problems of consumers' cooperatives on the theme "Agricultural consumers' cooperatives as a factor of sustainable growth" was held in Moscow. Among the organizers of this conference were The Ministry of Agriculture, the Bank of Agriculture, a state joint-stock society "All-Russian Exhibit Centre, German Agricultural Society (DLG).

The League of Credit Cooperatives actively collaborates with foreign cooperative partners and shares experience with Russian counterparts. International experience was taken into account in the elaboration of methodological recommendations, standards for credit cooperative's activities. The League established international contacts with credit cooperative associations (European Union, Canada, USA, Azerbaidjan, Belarus, Georgia, Latvia, Litva, Ukraine, Moldova).

The league was an initiator and organizer of study tours, seminars, workshops traineeships, etc. for Russian cooperative members and specialists in Poland, Ireland, Australia and Ukraine. At present, specialists of the League continue to collaborate closely with national and international organisations, exchange experience with credit cooperative institutions in CIS countries (World Organisation of Credit Unions; Polish Centre of Micro-Financing; British Credit Union Association; National Association of Credit and Savings Unions of Ukraine; the New York Open Society; National Association of Savings and Credit Unions of Moldova; Consultative Company Mekon of Kyrgyzstan; Association of Credit Unions of Ireland, etc.



In 2004, the Guild of Popular Cooperatives of Russia was admitted to membership of the European Federation of Builders' Societies (EFBS), representing the Russian Federation. In 2005, the Standard for housing-mortgage cooperatives activity in Russia was bestowed the European Quality Standard.

It is thought however, that Russian cooperative movement needs to expand **international cooperation** with cooperative partners abroad and, in the first turn, with the International Cooperative Alliance. Russian cooperators need assistance and support from international cooperative community, for whatever a strange reason it may seem, to persuade both themselves and their doubting opponents in Russia in the perspective and efficiency of the third sector of economy.

In May 2006 a meeting with **I. Barberini, President, and G. MacDonald**, Director-General of the ICA took place at the Federation Council of Russia. They were informed of the current situation in the cooperative sector of Russia and discussed prospects of further cooperation.

The formation and development of rural credit cooperation in the Russian Federation was accomplished under active support of cooperative partners from abroad — USA, Germany, Canada and a number of other countries. International programs embraced practically all aspects of credit cooperatives advancement, beginning from training, consulting and ending with material and technical provision and financing. 77 rural credit cooperatives were formed as a result of the project under European financial assistance Project — Tacis FD RUS 9801, accomplished in 2002. Financial assistance was accorded to cooperatives of primary and secondary levels in Novosibirsk, Rostov, Saratov and Yaroslav regions in the amount of 250,000 euro (7.8 million rubles) including purchase of machinery (141,800 euro) and for the formation of initial capital (107,600 euro). Relatively small investments to the cooperatives made a very positive impact on their further development.

From July 1, 2004 a new project EC Tacis 115/522/C/SV/RU “Credit Cooperatives” was begun. The project aims at the creation of sustainable tools and sources of financing physical persons and small enterprises, as well as at the improvement of existing structures, channels and conditions of crediting with a view of facilitating transition to the market economy and to its growth. The project is to attain three main tasks:

- Render assistance to Russian authorities in the elaboration of strategy and legal background, supporting multi-level system of credit cooperatives purported to meet the needs of rural small and medium enterprises adequately to amount and structure of credit;
- promote institutional development of credit cooperation sector, in particular the development of interrelations between structural levels through apex structures, offering a range of services to members, self-regulating tools for financial management of cooperatives and for strengthening their potential;
- provide guidance to rural credit cooperatives in maintaining conformance to common standards of sustainability in the field of management and functioning of the sector.

These tasks are supposed to be attained within the 30-month term. One of the main partners of the Project is the Union of Rural Credit Cooperatives. The pilot phase of the Project is being accomplished in the Republic of Buryatia, Astrakan and Yaroslav regions. The amount of technical assistance is 2.5 million euro.

A great impact on the development of rural credit cooperatives in Russia made a project under the support of the German Reifeisen Union in collaboration with the Frankfurt-on-the-Mein Institute of Rehabilitation of Economy. The Project was aimed at the development of financial services for small enterprises in the country-side. It was accomplished at the two levels:



- consultative support for the elaboration of legislation for credit cooperative at the federal level;
- consultative support for the credit unions and rural credit cooperatives in the framework of a model project in Volgograd, Voronezh, Kalinigrad and Tomsk regions and in the Republics of Chuvashia and Mariy El.

Since 2005, a joint German-Russian project in the framework of “TRANSFORM” program aimed at facilitating access to credit for small and medium enterprises through the system of rural credit cooperatives is being accomplished. The main task of the project is to increase the volume of financial services via credit cooperatives. The accomplishment term of the Project is 5 years. A starting capital for the Project accomplishing is 1 million euro.

With the assistance of the Union of Rural Credit Cooperatives, over 40 of its affiliated members received supporting grants from the Eurasia Fund. The grants were used for technical equipment and the introduction of modern technologies in cooperatives. The total amount of grants — 250,000 US dollars.

The largest project in scale and resources is the Russian-American Program of the Development of Rural Credit Cooperatives which was started in 1999.



Chapter III. Conclusions and recommendations

1. Conclusions. General estimation of the cooperative activity in Russia (based on the ILO Recommendation 193)

General estimation of the state of the cooperative movement in Russia can be made with the consideration of the following quantitative and qualitative aspects:

Quantitative aspect

When examining the situation concerning the involvement of Russian people in the cooperative movement, one has to note that the number of members of various types of cooperatives is about 60 million and, with the assumption that the population of Russia is about 150 million, the degree of involvement can be determined at about 40 per cent, or almost every third citizen of the country. Comparing this situation with Germany, where the involvement of the country's population in the cooperative movement is about 20 per cent, one can estimate Russia as standing at a rather high level with regard to the involvement of people in the cooperative activity.

Structural aspects

By the present time, a three-level structure of a cooperative system has been established and is functioning successfully:

- 1) Federal unions
- 2) Regional unions
- 3) Primary cooperatives

At the same time, many cooperative organisations are in favour of a four-level structure, with the addition of an all-national union, which would unite all kinds and types of cooperatives in the country with a view of representing the cooperative movement nationally and internationally.

At present, there are two organisations, which make attempts to unite all cooperative structures. However, these attempts have not yet brought any visible results, and the work in this direction is still at an initial stage. This work requires joint laborious efforts of all cooperative organisations in collaboration with state authorities.



Kinds of cooperatives

According to the statistical data, the development of **credit cooperatives** is gaining momentum today. This is a most dynamic and transparent field of activity. In the last five years the number of agricultural credit cooperatives increased by 8 times.

The credit cooperative movement is playing a very important role in development of other types of cooperatives, for example such as agricultural consumer (service) cooperatives, agricultural production cooperatives, insurance cooperatives, etc.

The most closed and unclear cooperative system, with regard to its membership and structural composition, is the Centrosoyuz of Russia. This organisation is gradually transforming into a profit-oriented corporation. Many members are even unaware of their formal membership, not to say about any cooperative payments due to them. Over the last 10 years, much of the cooperative property was privatized and alienated to private owners. For example, the author of this report witnessed at a board meeting of a credit cooperative (where he is a board member) a case, when a local entrepreneur was buying out a shop belonging to the consumers' society. After checking registration papers, it was found out that the shop in question was privately owned by the chairman of the society.

There are quite a few of such examples throughout the country. Recently it was also found out, that factual founders of the Centrosoyuz were 6 physical persons, instead of the 77 regional unions of Russia with total membership of 8 million people. That would formally mean that at the ICA the Centrosoyuz represents interests of 6 persons, but not all Russian cooperators.

The information on Centrosoyuz's activity is scattered. Even the number of members fluctuates in different sources from 4.8 million to 12.3 million. This means that monitoring of consumers' cooperative activity at federal and regional levels is poor, not to say more.

Due to the loud scandal, connected with the privatization of the Centrosoyuz property, V. Yermakov, its former Chairman of the Council, was relieved from his position.

In the author's opinion, to overcome the present crisis situation and to restore the trust of members, it is imperative that deep transformations were undertaken in the Centrosoyuz system, in particular:

- revision of membership, identification of truly participating members;
- audit all the factual ownership belonging to the system, register the privatized assets, carry out inventory of the property to avoid further machinations with the cooperative ownership;
- form a renewed apex organisation founded by regional cooperative unions.

Agricultural consumers' service cooperatives begins to develop, and the Government assumed the coordinating role (the inclusion of these cooperatives in the Priority National Project and financial support at federal and regional levels).

Producers' non-agricultural cooperatives made some progress in the 1990es of the last century, but at present it is not structured in an adequate way, and there is no reliable statistical data concerning this sector.



In general one can state, that there is a trend for increasing variety of different kinds and types of cooperatives — at present there are 12 distinct types of cooperatives, not to count their derivatives. Another issue under discussion now is the status of the insurance cooperative sector and the elaboration of legislative background for the formation and functioning of insurance cooperatives.

State policy

State policy with regard to the cooperative sector takes up a more pragmatic and logical stand. The word “cooperative” began to be pronounced more often in the Government authorities' offices, both at federal and regional levels.

For example, in the Ministry of Agriculture of Russia practically at every meeting, words “cooperatives” and “cooperation” are mentioned. However, other ministries are not much concerned about cooperatives and know very little about their place and role in economic sectors outside agricultural production.

The Federation Council of Russia holds a very active position in favour of strengthening and developing the cooperative movement and creating an all-national structure.

Legal environment

On the whole, the existing legislation in Russia provides conditions for the creation and functioning of cooperatives, with the consideration of internationally accepted norms and principles. The author made some enquiries with leaders of credit cooperatives about sufficiency of the existing legislation for normal functioning of credit unions and didn't get any negative comments, which would indicate any obstacles or limitations of a legal character.

At the same time, a lot of negative comments are pronounced with regard to the legislation, hindering the development of housing cooperatives. Basically, it concerns the Federal Law No.215, which stipulates the limitation of membership (5,000 members), as well as the minimum accumulation period (2 years).

All this testifies, that the phase of revolutionary transformations and reforms in Russia is coming to an end. At the present stage, the issues of the formation and functioning of cooperatives are not among the primary tasks, the latter being shifted towards the problems of adjusting the tools of internal and external regulations and functionality of a cooperative, including its relationships with cooperative structures and state authorities. Therefore, in recent years a new round of cooperative development manifested itself in the phenomenon, which can be defined as **structural** development.

Although positive changes in the current legal environment are evident, there are yet quite a few problems and tasks requiring their solution in the field of cooperative legislation. Many cooperative organisations are strongly in favour of creating optimal structure of cooperative legislation.

Employment and fighting poverty

Cooperatives in Russia hold a decent place in the protection of workers' rights. Since the ILO's priorities are:

— protecting democracy and fundamental workers' rights;



- promoting employment;
- eliminating poverty

one can state that cooperatives of Russia try to fulfill this social mission. In this way, protecting democracy and fundamental workers' rights manifests itself in providing for equal opportunities for men and women (gender equality) in securing decent jobs, (this is especially typical for a country-side, where cooperatives, in job promotion, might be even more discriminative in favour of women, knowing their higher degree of responsibility). Cooperatives have a good reputation for observing principles of justice, impartiality and human dignity in their everyday practice.

Promotion of employment expands with cooperative development. For example, by the beginning of 2007, credit cooperatives of citizens alone created 1466 jobs. Unfortunately, there is no reliable statistics on other types of cooperatives. So far cooperatives play insignificant role in the involvement of youth. Today the youth involvement in Russian cooperatives stands at a level of 5 to 20 per cent, depending on types of cooperatives. The highest rate of youth involvement is in rural consumers' societies of the Centrosoyuz system — up to 20 per cent.

The role of cooperatives in fighting poverty is evident in agricultural sphere. Agricultural credit cooperatives are becoming one of the most important factors for improving welfare of rural people.

International cooperation

International collaboration among cooperative organisations is progressing. However there is a need for increasing exchange of information and experience between Russian and international cooperative structures. Russian cooperators are interested in getting access to consultative services, information and study materials, exchange of experience and cooperative education and training.

Statistics on cooperatives

Although the Russian cooperative movement today is represented by a substantial number of cooperatives of various types, it is difficult to determine their precise number, since they are not embraced by the state system of statistical survey. The Federal Statistics Agency (Rosstat) neither carry out surveys on dynamics of cooperative development, nor distinguish them from the total number of enterprises of a relevant sector. For example, in the section of agriculture statistical reports individual households, farmers and enterprises are singled out. However, there is no mentioning about cooperatives, not to say about their number, despite the fact that cooperatives comprise a significant part of agricultural enterprises. There is also no mentioning about credit cooperatives in any sectors subject for statistical survey. Even the All-Russian statistical survey for 2006 doesn't give any information on cooperatives and their members. Therefore, there is a burning need for the elaboration and introduction of national statistics on cooperatives.

International organisations, the ILO in particular, could provide for a valuable assistance in the creation of a system of statistics on cooperatives, in view of its great experience in this field.



Awareness about the ILO Recommendation 193

At a federal level, in a number of Governmental bodies and apex cooperative organisations, an awareness of the Recommendation was evident, though not to a great extent. At a regional level, both state authorities and cooperative structures, seem to have no idea about this Recommendation and its content.

2. Recommendations

For state authorities of the Russian Federation at all levels:

1. It is essential, that the Government continue to create favourable conditions for cooperative development, including appropriate legal environment providing for an equal status of cooperatives, as compared with other forms of enterprise in the conditions of market economy.
2. To continue structuring cooperative legislation in Russia, which should include:
 - Constitution of the RF, recognizing and fixing cooperative ownership;
 - Civil Code of Russia, determining the status of a cooperative as organisation aimed at meeting economic, social, personal and other needs of its members, with the exemption from it of the provision, concerning the division of cooperatives into kinds and types, for transferring that provision to the universal law on cooperatives
 - Federal law on cooperation, as a universal law for all kinds and types of cooperatives, which would determine common legal norms;
 - Federal law on credit cooperatives which would determine common legal norms for cooperatives engaged in credit and savings activities;
 - A number of amendments to the existing legal acts.
3. Government authorities should determine additional steps for the implementation of the **ILO Recommendation 193**, in particular for the elaboration and execution of national programs aimed at promoting employment and eliminating poverty.
4. A clear definition of the role of cooperative sector in conformity with objective needs of socially oriented market economy, rather than on ideological grounds.
5. Support to cooperatives without damaging their autonomy and independence.
6. Elaboration of a new national project “Cooperative Russia”.
7. Inclusion of cooperatives in national economic and social programs.
8. Active involvement of cooperative organizations in servicing budget organisations (educational institutions, hospitals, closed institutions, etc.), in regional programs for sustainable social and economic development with a view of strengthening integration of the cooperative sector.
9. Establishment of public councils for coordinating cooperative activity and protecting cooperative interests in every region of Russia.



10. To activate cooperatives' interacting with state employment offices with a view of joint organizing public and seasonal works for the unemployed and training on professions in demand for cooperatives.

11. Creation of a federal coordination council on cooperative development.

12. Creation of a national system of statistical survey and monitoring of cooperative development.

For cooperative structures and organisations:

1. To attach to the process of harmonizing cooperative legislation a systematic character, organize permanent monitoring of legal environment, elaborate proposals for relative amendments.

2. Promote cooperative principles and values through communication media, along with disseminating positive experience and achievements of individual cooperatives.

3. Continue efforts in establishing national cooperative structure.

4. Development and support of cooperative education and professional training for different types of cooperatives.

5. Intensification of activity aimed at horizontal integration of cooperatives of different types.

6. Elaboration of a Cooperative Code of Russia.

7. Convene economic cooperative forums on a permanent basis, and periodically — congresses, conferences and conventions of cooperative organisations on important issues concerning cooperative development.

8. Develop cooperative media for the popularization of cooperative movement.

9. Intensify the work of cooperative associations and unions for the formation of new cooperatives, pay special attention to education and training issues, especially with regard to involving youth in cooperative activity, support the development of federal and regional training centres.

10. Formation of a cooperative trade-union organisation, aiming at protection democratic rights and freedoms of employees in cooperative sector.

11. Develop international cooperation, including an increased affiliation to the ICA of cooperative organisations of different types.

12. Promote awareness of Russian state and cooperative structures about **the ILO Recommendation 193**, through more active dissemination of relevant information.

For international cooperative organisations:

1. Render consultative services to Russian cooperative structures.

2. Provide access to cooperative programs and information materials for Russian cooperative organisations.



3. Participate in the elaboration of education and training materials, manuals and programs for cooperatives in Russia, assist in improving education and training facilities, in particular, for young people.

4. Assist in improving a system of national statistics on cooperatives in Russia.

5. Invite Russian cooperators to forums, conferences, seminars, study tours concerning cooperative issues, organized at international level.

6. Participate in discussions on cooperative bills submitted for consideration by Russian state authorities, with a view of their conformity to international practices.

Main informational resources



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1. Web-site of Centrocoyuz RF: <http://www.rus.coop/union>
 2. Web-site of FDRCC and Union “Popular Credit” <http://www.ruralcredit.ru>
 3. Magazines “Rural credit” (2006–2008)
 4. Informational report of Fund of Development of Rural credit cooperatives (FDRCC) (2008)
 5. Magazines “Vestnik Kooperatsii” N1 (April 2007) and N2 (August 2007)
 6. Newspaper “Russian cooperation” (2006–2008)
 7. Web site of League of Credit Unions of Russia <http://www.orema.ru>
 8. Informational report of League of Credit Unions of Russia (2008)
 9. Web-site of Guild of housing cooperatives: <http://www.vmeste.ru>
 10. Web-site of Federal Council (Parliament) of Russia: <http://www.council.gov.ru>
 11. Analytical bulletins of Federal Council (2002–2007)
 12. Ministry of agriculture of Russia: <http://www.mcx.ru>
 13. Web-site of Trade Union “Torgovoe Edinstvo”: <http://www.torgprof.ru>
 14. Conception of development of agricultural consumer cooperatives (Ministry of agricultural of Russia, 2006)
 15. Recommendations of international conference: “Rural Credit cooperation in Russia: investment in the future” (December 13, 2006)
 16. Informational report of Union of rural credit cooperatives “Popular Credit” (2008)
 17. ILO Recommendation No.193
 18. Resolution of International conference “Implementation of Recommendation No.193” (Saint –Petersburg, October 2003).
 19. Informational materials of credit cooperative “Partner” of Yaroslavl oblast (2008)
 20. Materials of Union of Agricultural cooperatives of Yaroslavl oblast (2008)
 21. Web-site of Belgorod Cooperative University: <http://www.bupk.ru>
 22. Web-site of Volgograd cooperative Institute: <http://www.vupk.ru>