

Mongolian Cooperative Network – General Knowledge

International Cooperative Law

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1. Law for Cooperative Societies

From their origin, cooperative societies are not a legal form of organization, but rather a social and economic phenomenon. Cooperative societies existed before cooperative laws were made. The first "modern" cooperatives in the middle of the 19th century operated without legal recognition or used existing legal patterns for voluntary associations, companies or friendly societies. Only later and only in some countries, special cooperative laws were drafted to suit the needs of cooperative societies. Initially, the cooperative way of working together was a predominantly socio-economic concept, a way of living and doing business rather than a legal type of organization.

1.1. Definition

At an international level, there are two definitions of cooperative societies which are not perceived as being legally binding in the sense that they compel national lawmakers to draft their national laws along the lines of these definitions. However, these international definitions serve as recommendations and have determined to a large extent the profile of the cooperative society as a legal pattern. These definitions at an international level are:

- the list of Cooperative Principles of the International Cooperative Alliance as approved by the ICA congress in 1966 (currently being subject to review), and
- the definition contained in the ILO Recommendation n° 127 of 1966, concerning the role of cooperatives in the economic and social development of the developing countries.

The general ideas expressed in these two documents have served as guidelines for national lawmakers. In the laws of many countries, reference is made indirectly or directly to the Cooperative Principles of the ICA, e.g. in the cooperative laws following the British-Indian pattern of cooperation, where a cooperative society that may be registered is defined as

"a society which has as its object the promotion of the economic interest of its members in accordance with cooperative principles ...". (Section 4 of the Indian Co-operative Societies Act, 1912; section 4 of the Model Co-operative Societies Ordinance of the British Colonial Office, 1946).

More recent cooperative legislation contains explicit reference to the Cooperative Principles of the ICA, e.g. section 2 of the Zambian Co-operative Societies Act (n063 of 1970), where cooperative principles are defined in the interpretation clause as follows:

" 'cooperative principles', except as otherwise provided in this Act, means the following principles and methods used in the operation and administration of a society:

- each member or delegate has one vote;
- there is no voting by proxy;
- race, creed or political beliefs are no bar to voluntary membership and, subject to this Act, membership is open to all who can use the services of a society;
- the services of a society are mainly for its members;
- the dividend on share capital shall not exceed six per centum per annum;

- the services are available as nearly as possible at cost, allowing for the fact that, except where otherwise provided in this Act, the rules or the by-laws, the savings arising from yearly operations are paid to members, or members and non-member patrons, in the form of patronage bonus, in proportion to the use made of the services, or to the supply of labour or other contributions made by members and non-member patrons;"

Or in the Cooperative Code of the Philippines of 1990 (R.A. n° 6938 of March 10, 1990), article 4:

"Every cooperative shall conduct its affairs in accordance with Filipino culture and experience and the universally accepted principles of cooperation which include the following:

(1) *Open and Voluntary Membership* – Membership in a cooperative shall be voluntary and available to all individuals regardless of their social, political, racial or religious background or beliefs.

(2) *Democratic Control* - Cooperatives are democratic organizations. Their affairs shall be administered by persons elected or appointed in a manner agreed upon by the members. Members of primary cooperatives shall have equal voting rights on a one-member-one-vote principle, provided, however, in the case of secondary and tertiary cooperatives, the provisions of Article 37 of this Code shall apply.

(3) *Limited Interest on Capital* - Share capital shall receive a strictly limited rate of interest.

(4) *Division of Net Surplus* - Net surplus arising out of the operations of a cooperative belongs to its members and shall be equitably distributed for cooperative development, common services, indivisible reserve fund, and for limited interest on capital and/or patronage refund in the manner provided in this Code and in the articles of cooperation and by-laws.

(5) *Cooperative Education* - All cooperatives shall make provision for the education of their members, officers and employees and of the general public based on the principles of cooperation.

(6) *Cooperation Among Cooperatives* – All cooperatives, in order to best serve the interest of their members and communities, shall actively cooperate with other cooperatives at local, national and international levels."

In other national cooperative laws, the relevant section of the ILO Recommendation n° 127 is used together with reference to cooperative principles in order to define cooperative societies, e.g. section 2 of the Co-operative Societies Act of Tanzania 1991: "'cooperative society' means an association of persons who have voluntarily joined together for the purpose of achieving a common need through the formation of a democratically controlled organization and who make equitable contributions to the capital required for the formation of such an organization, and who accept the risks and the benefits of the undertaking in which they actively participate."

1.2. Ideological concept

For many years, two different ideological concepts of cooperative organization other than the above-mentioned definitions existed side by side: On the one hand, the concept of cooperatives as a form of private business organization in a market economy and, on the other hand, cooperatives as instruments for socialist transformation for the implementation of centrally planned programmes under the control of the state and the ruling party.

This co-existence of the two ideological concepts for cooperation under the same general definitions and membership of representatives of socialist countries and countries having a market economy in the ICA and in the ILO was made possible by wide interpretation of key elements determining cooperative organizations, e.g. democratic management and control to include democratic centralism and voluntary membership to include membership made compulsory due to lack of alternatives. Accordingly, cooperative legislation in the socialist countries differed substantially from that of countries having a market-economy. After the political changes that have occurred in the former socialist countries, this dualism of concepts is dis-

appearing.

In the developing countries, state sponsorship and state control over cooperatives constituted an additional element of legislation. Although initially state sponsorship and state control were conceived as temporary measures to help cooperatives to develop on a sound footing, state involvement in cooperative affairs has continuously increased during colonial times and in the independent states of Asia, Africa, Central America, and the South Pacific. This trend fitted particularly well in developing countries pursuing socialist policies.

The tendency to empower the state under cooperative law to use cooperatives as development tools and to submit them to stringent government control has been a characteristic feature of cooperative legislation in developing countries and seemed to be based on the internationally recognized Cooperative Principles, while containing many provisions contradicting these very principles.

During the last several years, the governments of many developing countries have started to review their ideological concept and perception of cooperative societies under the pressure of structural adjustment programmes as well as their inability to finance overstuffed and costly but largely ineffective government services to control cooperatives. For cooperative legislation this means that the existing laws and regulations have to be revised and excessive government powers to control cooperatives have to be deleted. This trend is in line with a drive already contained in the ILO Recommendation n° 127 on cooperative legislation, namely, "to detect and eliminate provisions contained in laws and regulations which may have the effect of unduly restricting the development of cooperatives through discrimination, for instance in regard to taxation or the allocation of licences and quotas, or through failure to take account of the special character of cooperatives or of the particular rules of operation of cooperatives."

1.3. Organizational Structure of Cooperatives

After the ideological conflicts concerning the objects and role of cooperatives have lost some of their importance, the peculiar structure of cooperatives as voluntary and private business organizations for the promotion of their members' economic and social interests becomes the main common denominator of cooperative societies on the international level, influencing the national lawmakers when drafting new cooperative legislation.

Cooperative societies are organizations characterized by their dual nature as associations of persons (the cooperative group) and a jointly financed, managed, controlled, and patronized business firm (the cooperative enterprise). The typical features of membership in cooperative societies are that members are at the same time capital contributors, goal-setters and decision-makers as well as customers of their joint enterprise. The typical feature of the cooperative enterprise is that its primary objective is to promote the economic interest of its members.

National or regional cooperative laws have to provide a legal framework within which this basic cooperative structure can work effectively. Furthermore, for lawmakers who want to follow internationally recognized cooperative principles, the way in which this basic organizational structure has to be shaped is, to a large extent, predetermined by these principles.

- Goal-setting, decision-making, and control have to be carried out in a democratic manner, giving members as well as their elected representatives the final say in all important matters concerning the cooperative.
- In primary cooperatives, the individual member is the most important denominator. Voting rights and rights of profit sharing are not linked to capital contributions, but to the person and the performance of the individual members (one member - one vote, distribution of surplus in proportion to business done with the cooperative enterprise, patronage refund).
- The role of capital is to serve and not to govern. Transfer of shares is restricted, interest or dividend on capital are deliberately limited, and shares can be withdrawn only at par

value. These rules are set to ensure that investment of funds in cooperatives for capital gains or speculative purposes is excluded.

If these general rules are translated into legal norms of national or regional cooperative laws, the cooperative organizations following such laws are likely to succeed in striking the balance between democratic goal-setting and control on the one hand and economic efficiency of the cooperative enterprise as a precondition for effective promotion of the economic and social conditions of their members in competition with commercial business firms on the other.

There are, of course, deviations from these general principles in the national or regional cooperative laws in response to local conditions and circumstances. However, the general principles of cooperative ideology and cooperative structure can be found in a more or less pure form in all cooperative laws, or, where no special cooperative legislation exists, in the by-laws of cooperative societies.

After decades of largely unsuccessful experiments with state-sponsored and state-controlled cooperatives in the developing countries and programmes of socialist transformation by means of state-controlled cooperatives, it is more and more accepted that only such cooperative societies will succeed in the long run as self-reliant and self-controlled Self-help Organizations, which correspond to the above-mentioned definitions and which follow the general principles of cooperative work.

2. Development of Cooperative Legislation

When the first modern cooperative societies were formed in Europe (Association chretienne des bijoutiers en doré, Paris 1834, the Rochdale Society of Equitable Pioneers, near Manchester in 1844, and the societies formed by Raiffeisen and Schulze-Delitzsch in Germany in 1848) there was no special cooperative legislation for such organizations.

- In England, the Industrial and Provident Societies Act, under which most of the cooperative societies were registered, was promulgated in 1852.
- In France, a special chapter on companies having a variable share capital was added to the Companies Code in 1876 to accommodate cooperative societies characterized by variable (open) membership and variable capital.
- In Prussia, the "Act Governing the Legal Status of Cooperative Societies under Private Law" was promulgated in 1867. This enactment closely followed the recommendations made by *Schulze-Delitzsch*. It was the first law especially drafted for the peculiar organizational pattern of cooperative societies, covering all types of cooperatives. This Cooperative Societies Act was applied to the Northern German Federation of States in 1868, and its application was extended to cover the entire German Reich in 1871.
- In Austria, a special law for all types of cooperatives was promulgated in 1873.
- In the USA, the first law explicitly recognizing cooperative societies as a specific form of business organization was made in Michigan in 1856. Later, the Sherman Anti-Trust Act of 1890 exempted cooperative societies from provisions of the anti-trust legislation.
- The first cooperative law of Japan came into force in 1900.
- In 1904 the British Colonial Government of India developed a new type of cooperative legislation specially designed for state-sponsored cooperatives, which later became known as the "Classical British Indian Pattern of Cooperation".
- Between 1900 and 1926, special Cooperative Societies Acts were promulgated in several countries of Europe, in Canada, the USA, and Australia.
- The first cooperative laws in Latin America were those of Chile (1925), Argentine (1926), and Mexico (1927). Before this time, however, a decree dealing with cooperatives already came into force in Guatemala in 1903, and first elements of cooperative legislation were introduced in the commercial codes of Mexico and Argentine in 1899, in Colombia in 1912, and in Panama in 1916.

- Among the early cooperative legislation in Africa, the first cooperative law of the former Belgian Congo (today Zaire) can be mentioned, which was made in 1921.
- In 1946, the British Colonial Office published a Model Cooperative Societies Ordinance and Model Cooperative Societies Regulations based on experience with the "Classical British-Indian Pattern of Cooperation". This model was adopted by the colonial governments of most of the former British dependencies in Asia, Africa, the Caribbean, and the South Pacific. With some amendments, this model is still in force today in many of the countries mentioned.
- In France, a general Cooperative Societies Act covering all types of cooperatives was promulgated in 1947. It was to supplement special cooperative legislation for the different types of cooperative societies promulgated earlier. The general cooperative law of 1947 was made directly applicable in the French overseas territories of that time; however, this very liberal and incomplete legislation proved inadequate for the use in African countries. In 1955, the French ministry in charge of overseas territories issued a decree governing the legal status of cooperative societies in the territories under its control, to replace a semi-public type of provident society (Societe Indigene de Prevoyance et de Secours Mutuel, SIP) and to provide for a governmental development, audit and supervision service for cooperative societies.
- After independence, many francophone countries of Africa for some time continued to use this legislation, but also introduced new provisions governing pre-cooperatives and rural groups, e.g. the Associations d'Interet Rural (AIR) in Senegal (1960), the Groupements a Vocation Cooperative (GVC) in Ivory Coast (1966), and the Groupements Mutualistes Villageois in Niger (1978).
- Some countries in Asia, Africa, and Latin America adopted socialist models of cooperative legislation (e.g. Burma, the Peoples' Republic of China, Cuba, Ethiopia, Guinea/Conakry, Madagascar, Mali, Nicaragua, North Korea, Tanzania and Vietnam).
- After the collapse of the socialist systems in Eastern Europe and in the former Soviet Union, the new democratic states in this region have started to develop new cooperative legislation for cooperatives working as private business organizations within an emerging market economy, e.g. in Hungary, the liberation of cooperatives started already in 1968. In 1971, a cooperative law was promulgated which gave cooperatives more power of self-government and reduced the power of the state to control cooperatives. In 1990, a new Liberal cooperative law was drafted which was passed in parliament in 1992.
- In Poland, a law was promulgated in 1990 ordering the compulsory liquidation of all regional cooperatives (400 in number) as well as of all national cooperative apex organizations (14), except the Supreme Cooperative Council. However, this law was declared unconstitutional in 1991. Efforts are under way to revise and to update the cooperative law of 1982. To provide a legal framework for the development of private and self-reliant cooperatives, the Czech and Slovakian Federal Republic (CFSR) passed three laws in 1990: the Constitutional Law N° 10 amending the constitution of the country to restore private property; the Cooperative Farming Act (no 162/1990), and the Housing, Consumer, Producer and Other Cooperatives Act (N° 176/1990) giving cooperatives more autonomy and reducing the influence of the state on cooperatives.
- In Bulgaria, a new cooperative law was promulgated in 1991.
- In Romania, two new decrees/laws on cooperatives were adopted in 1990, with the aim to decentralize cooperative activities and to reduce state influence.
- In the Soviet Union, several decrees of the Supreme Council since 1987 have allowed the formation of new cooperatives in services, catering, and production. In 1988, a general law on cooperatives accelerated the development of new cooperatives in all spheres of economic activities in rural and urban areas. However, this new law did not create a favourable climate for private and self-reliant cooperatives. In 1990, a new "Law on Changes in and Amendments to the Law of the USSR on Cooperation in the USSR" was

made, with the attempt to improve the legal framework for cooperatives, but at the same time, the introduction of high rates of taxation served as a disincentive. After the split of the Soviet Union into the group of independent states, each of these states will promulgate its own cooperative legislation.

3. Different Models of Cooperative Legislation

There are different ways in which the lawmakers provide the legal framework for cooperative activities:

- Countries with special legislation for all types of cooperative societies as a distinct legal pattern, e.g. in Germany and Austria, in most of the countries of Asia, Africa, the Caribbean, and the South Pacific having experienced the British colonial rule (the Classical British-Indian Pattern of Cooperation), Spain, many countries of Latin America, and some countries of francophone Africa,
- Countries with the total absence of specific cooperative legislation (e.g. in Denmark) leaving cooperative organizations to choose the legal pattern for their activities from the general law of business organizations with adjustments made in their by-laws.
- Countries with special cooperative laws for special types of cooperative societies, like agricultural cooperatives, consumer cooperatives, credit cooperatives, small scale industry cooperatives etc. (This format of legislation is used in France but also, for instance, in Japan and South Korea, in some Eastern European countries, and in Uruguay),
- Countries with special chapters or provisions on cooperative societies in general enactments such as the civil code (e.g. Switzerland, Italy), the commercial code (e.g. Belgium, Argentina, Mexico, Nicaragua), the labour code (e.g. France, Nicaragua) or the agricultural or rural code (e.g. Panama, France).

In France, cooperative activities are governed by a very complex system of legal norms. A special chapter for companies having a variable capital was introduced in the General Companies Code in 1876. In the following decades, many special laws for different types of cooperatives were made, specifying conditions to be met in order to qualify for tax privileges, but leaving cooperatives to choose the legal pattern suitable for their activities from the general laws of business organizations. In 1947, a general cooperative law for all types of cooperatives came into force, supplementing the numerous special laws for the different types of cooperatives and the provisions on cooperatives contained in the rural code, the labour code, etc. This general cooperative law was amended in 1992.

In federal states like the USA, Canada, India, and Nigeria, cooperative legislation often is a subject matter of state legislation, while in some states having provinces in which minorities live, such provinces are given autonomy to promulgate their own cooperative legislation (e.g. Italy, Spain).

In many countries, there is a special legislation for cooperative credit unions, e.g. in Canada, the USA, Fiji, Hong Kong.

Mainly in African countries, special legislation has been developed for pre-cooperatives and para-cooperatives, e.g. in Ivory Coast, Burkina Faso, Niger. Similar legislation has also been in force between 1973 and 1990 in the Philippines.

Finally, in countries where the government promotes and supervises cooperatives, special laws or decrees or special chapters in cooperative laws contain provisions governing the organization and functions of such government agencies for the promotion and supervision of cooperative societies (British-Indian Pattern of Cooperation).

4. Contents of Cooperative Laws

Due to the common ideological base reflected in the cooperative principles of the ICA and the specific cooperative structure referred to earlier in this text, there are similarities and common features which characterize the contents of cooperative laws all over the world.

4.1. Formation of cooperative Societies

In most of the industrialized countries, cooperatives like any other business organizations are registered upon application by the founder members in a public register after verification by the registering authority, whether all requirements for registration have been met by the applicants. Upon registration, the cooperative society is officially recognized and acquires the status of a body corporate (cooperative enterprise). Considering the fact however, that cooperatives are often formed by people of limited means and without easy access to legal advice, special provisions concerning the formation process have been developed, e.g.:

- the requirement to submit an assessment of the development potential of the planned cooperative venture together with the application for registration,
- provisions regarding the steps to be taken by the founder members or a formation committee,
- requirements with regard to pre-membership education offered by cooperative federations or unions, by non-governmental organizations or by government services in charge of promoting cooperative development.

Usually, cooperative societies may be formed with a small share capital in order to make this form of organization accessible to persons with limited means. In developing countries, registration as a cooperative society often is subject to the approval of the registering authority (Registrar of Cooperative Societies or comite d'agrement). In other countries, new cooperatives have to pass through a pre-cooperative stage either as registered pre-cooperatives or as provisionally registered cooperatives until they have proved their viability to the registering authority.

The legal norms governing the formation of cooperative societies are often far from the ideal to allow cooperative societies to be formed freely without artificial restrictions and unnecessary formalities. More often than not, cooperatives in developing regions are formed on the initiative of external actors as part of programmes and projects under government plans and/or development aid, i.e. for a target group rather than by a self-help group.

4.2. The Legal Status of Members

The legal status of a member in a cooperative society is characterized by his position as the co-owner and customer of the cooperative enterprise.

In cooperative societies as people-oriented organizations, the rights and obligations of the member are linked to the person rather than to the capital contribution. In primary cooperatives, the members usually have equal rights to elect the office bearers and to be elected to serve as an office bearer of the society, (e.g. one member one vote), and personal obligations (e.g. to actively participate in decision making and control, to use the services of the cooperative enterprise, to be loyal to the society, and to comply with majority decisions).

The financial obligations of a member include the duty to contribute to the share capital of the society and to use the facilities of the cooperative enterprise for all or part of his business transactions. In many countries, members have to accept additional personal liability for the debts of the cooperative society in case of bankruptcy. In return, the financial rights of a cooperative member include the right to decide on the appropriation of surplus at the end of a period, the possibility to receive patronage refund on the transactions with the cooperative enterprise and dividend or interest on share capital. In some countries, there is the tendency to introduce different categories of members (e.g. members who only contribute capital and full members, associate members in Spain, Italy, and France).

4.3. Organization and Management of Cooperative Societies

According to their peculiar structure, cooperative societies under the cooperative laws of all countries have at least two organs: the general meeting of members and a directing body (board of directors or committee of management). For cooperative societies having a large membership or for societies with groups of members belonging to different professions or

living In developing countries, where cooperatives are promoted and controlled by government, officials of the government agency in charge of cooperative development are often empowered under the cooperative law or by regulations made under the cooperative law to influence the management of cooperative societies either directly (interventionist powers) or indirectly (decisions of cooperative societies made subject to government approval).

4.4. Property and Funds of Cooperative Societies

As a form of business organization, cooperative societies need capital to finance their operations. Like in any other business organization, the capital consists of members' contributions (shares), non-distributed profits (reserves), and funds obtained from external sources (borrowed capital). The way in which capital is formed in cooperative societies is regulated in different ways, depending on the classification of cooperative societies within the national legal system as a special legal pattern of its own, a modified company, or a way of doing business with free choice of the legal pattern and autonomy to adjust this pattern in the by-laws to meet the requirements of each society.

As a matter of principle, the capital contribution is linked to the person of the member, it is not freely transferable, and it may be combined with a personal liability of the member for the debts of the society in case of liquidation. As a result, in cooperatives with variable membership, the share capital of cooperatives is also variable.

The capital in cooperatives is de-emphasized, which means:

- votes and the right to profit sharing are not linked to the capital contribution but to other criteria (one member one vote, distribution of surplus in proportion to business done with the cooperative enterprise),
- share capital receives only a limited rate of interest or dividend, and
- share capital is paid back to members upon withdrawal at par value or with an adjustment to inflation,

These rules are made to avoid speculative investment in cooperatives.

In cooperative societies, reserves are usually seen and regulated as indivisible social capital, so as to give the cooperative a stable financial base. With growing size and complexity of cooperative enterprises and increasing demand for investments, the traditional capital structure on which the legal provisions for financing cooperatives are based, has been criticized as a cause of structural weakness of the legal cooperative pattern making it difficult for cooperatives to compete with commercial firms that are not subject to such restrictions.

Accordingly, the following innovations can be found in cooperative laws mainly of industrialized countries (e.g. in France, Italy, and Spain):

- new forms of capital contributions by members (such as non-voting, preferred shares, bonus shares, debentures, qualification loans),
- claims to parts of the reserve fund upon withdrawal (member accounts), and
- non-voting shares offered to the public and sold in the stock exchange.

These new forms of capital formation may help to solve some financial problems of cooperatives. By making cooperatives more and more similar to ordinary companies, however, they also affect the substance of cooperative societies as a special form of organization, having its own distinct identity.

In the developing countries, special problems arise and special provisions are required in cooperative legislation when public funds are made available to cooperatives in terms of shares held by the state (e.g. state-partnership funds in India), and where all decisions concerning the property and funds are subject to government supervision and control.

4.5. Audit

Cooperative societies are business organizations managed and controlled by their members,

who are usually not well versed in matters of bookkeeping and accounting. The need for external audit by professional auditors is universally recognized. Accordingly, most cooperative laws contain provisions on the requirement of annual or bi-annual audit. However, these provisions vary with regard to the scope of this audit, the persons or institutions to whom this audit is entrusted, and the procedures to be followed.

The scope of the cooperative audit reaches from purely financial audit to comprehensive management audit and the assessment of member-oriented efficiency of the cooperative enterprise.

The auditors of cooperatives may be persons appointed by the general meeting of members (commissaires aux comptes), certified public accountants employed by the cooperatives, specially trained cooperative auditors (Verbandsprüfer) of cooperative audit federations or government officials.

In some countries (e.g. in the Philippines, Thailand and Singapore), there is a tendency to define the role of secondary and tertiary cooperative organizations and the forms of vertical integration in the cooperative law, while in other countries, the cooperatives are given autonomy to form their central organizations and federations freely according to their needs.

Usually, affiliation of such federate structures is voluntary. In some countries like Germany, however, affiliation to a cooperative audit federation is a legal requirement for registration of primary cooperative societies. Accordingly, membership in an integrated system of cooperatives is compulsory for all organizations established in the legal form of registered cooperative society in Germany.

4.6. Secondary and Tertiary Cooperative Organizations

The cooperative laws do not only regulate the legal status constitution, and working of primary cooperative societies, but usually contain provisions empowering cooperatives to federate and to form or join secondary or tertiary cooperative organizations. Such regional and national cooperative organizations can work in the legal form of cooperative society, company or association, depending on their objects, size, and complexity.

Central supply, marketing and banking institutions established among cooperatives are usually exempted from the restrictions of anti-trust legislation. Furthermore, primary cooperative societies are usually affiliated with cooperative federations at regional and/or national levels for representation of their interests, training, audit and consultancy services.

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4.7. The Relationship Between Cooperatives and the State

In the industrialized countries, the relationship between the cooperatives and the state is covered by a cooperative law only to a very limited extent. The role of the state is reduced to registration, audit or supervision of the proper conduct of audit, normative control (i.e. ensuring that the provisions of the cooperative law are complied with), and dissolution of cooperative societies.

In the developing countries, where cooperatives are promoted and supervised by the state, cooperative laws contain special chapters or provisions regulating the tasks, powers, and duties of the government agencies in charge of cooperative development and supervision. In some countries, these matters are contained in regulations made under the cooperative law

for the implementation of the Cooperative Societies Act and the development policy of the state.

5. Efforts to Standardize Cooperative Legislation

In the developing countries, the introduction of uniform cooperative legislation by colonial governments in the English-speaking countries of Asia, Africa, the Caribbean and the South Pacific Island States (the Classical British-Indian Pattern of Cooperation), and in the French-speaking countries of Africa (the decree n° 55-184 of 1955) has resulted in a standardized cooperative legislation, which continues to be in force in some of these countries even today, while other countries have developed their own national models, implementing their own concepts or following other foreign models.

In 1966, at a conference in Nairobi, the Afro-Asian Rural Reconstruction Organization submitted another model cooperative law. The Recommendation n° 127 of the International Labour Conference in 1966, concerning the role of cooperatives in the social and economic development of the developing countries, also contains a number of guidelines for cooperative legislation in developing countries. In 1973, the Regional Office and Education Centre for South-East Asia of the ICA (New Delhi) also published a model cooperative law for state-sponsored cooperatives.

More recent model laws are those of the International Credit Union Organization (1987) and the Organization of American Co-operatives, OCA (1989).

Within the European Community, efforts are undertaken to draft a transnational law for European cooperative societies, i.e. for cooperatives which may be formed by cooperatives having their registered offices in two or more EEC member-states. This new European cooperative law will exist parallel to the national cooperative laws of the EEC-member states and, in many instances, will refer to the national cooperative legislation. Although it is not intended to harmonize or standardize the national cooperative legislation within the EEC, in the long run a European cooperative law will inevitably have such effect.