

# Services to Central and Eastern Europe

by Professor D. Mavrogiannis

ICA's overall concern and activities aiming to support Co-operative movements in the ex-communist countries of Europe were laid down during three major meetings organised between early 1990 and late 1992.

## 1. Strategies Needed: March 1990

The first meeting was held in Geneva in March 1990. Representatives from the member-organisations of the countries concerned had reported and discussed problems created following collapse of the "socialist" economy, the process of privatisation and the impact on the future of the Co-operative sector. The strategies agreed upon by all participants, including ILO and WOCCU (World Organisation of Co-operative Credit Unions), were focussed on the following activities of ICA:

a. To follow-up national policies of privatising with a view *to create favourable conditions for Co-operative development* as part of the private economy and the economic pluralism. Policy matters were followed-up by ICA and particularly by its President Lars Marcus whose personal support was determinant for the survival of the Co-operative organisations of several countries (Poland, Bulgaria and others). Advisory services on Co-operative legislation were particularly sought with a view to restructure established Co-operatives and assist new ones as well, which have emerged after 1989.

b. Support of ICA to the member-organisations in *the field of technical assistance and transfer of know-how* from the European Union and Co-operatives of developed countries (movement-to-movement assistance), particularly for the development of human resources involved in the management and administration of Co-operative societies and enterprises.

c. *Elaboration and diffusion by ICA* of case studies, establishment of data and current trends and legislative texts for the information of all concerned (member-organisations, investors, foreign partners, decision-making authorities).

## 2. Seminar and Publication on Co-operative Legislation: December 1990

Held in Prague in December 1990, the regional seminar considered practical

problems resulted from dismantlement of the State economy and steps to be taken for regulating the chaotic legal situation. Numerous representatives from old and new Co-operative organisations as well as resource persons from ILO, CICOPA (the specialist organisation within ICA for producer/worker Co-operation) and the Crédit Coopératif of France examined various policy and legislation issues in the ex-communist countries and were informed about rules and practices in the field of Co-operatives in West Europe.

Legislative texts collected and discussed on this occasion by all participants under the chairmanship of Bruce Thordarson, Director-General of ICA, were published the following year in Geneva and made largely available. This publication is designed to provide current information on the stage of legislative developments in Eastern and Central Europe. That exchange proved to be helpful for many Co-operative movements in their efforts to influence the development of their own national legislation.

Included in the above publication were legislative texts from the following countries.

*Bulgaria:*

The basic and general law of July 1991 (67 articles plus 3 additional and 10 transitional clauses). The Draft was finalised, at the request of the Central Co-operative Union, by an ILO consultant whose services were put at the disposal of the ICA (A complete list of all Co-operative laws since 1907 is published as annex to the Report on the Bulgaria Co-operative Movement in Transition to the Market Economy, 1994).

Most significant is the text of Ordinance 192 of 1991 concerning conditions and procedure for returning to Co-operatives properties confiscated by the State after September 1944.

*Czechoslovakia:*

Three legislative texts from this country were incorporated in the publication: first, the housing, consumer, producer, and other Co-operatives Act of May 1990, (51 articles), repealing Co-operative Act No. 94 of 1988; second, the Co-operative Farming Act of May 1990 (62 articles), repealing Co-operative Act No. 90 of 1988; third, the Draft Law of 1991 (26 articles plus a Commentary Report). The purpose of this last transitional text was to regulate the *Transformation Project* regarding settlement of property matters within all types of existing Co-operatives. (It should be added that Law no. 513 of 1991 adopting the commercial code regulates in Part II, articles 221 to 260, conditions of establishment and functioning of Co-operative societies).

ICA and ILO have provided in 1991 advice and technical comments to the member-organisations regarding improvement and finalisation of the legislative texts during their elaboration by national experts. Currently, WOCCU is assisting Co-operative organisations of the country in drafting a new legal text concerning emerging credit unions.

*Hungary:*

The draft text of two laws, accompanied by a Commentary Report (Orientations), was proposed to the ad hoc commission in November 1990 for consideration. Parliament adopted them in January 1992, both of them finalised by the National Co-operative Council: the Co-operative Transition Act providing for restructuring, privatisation and transformation of existing Co-operative societies through a project of 'personalisation' of Co-operative property; and secondly, the Unified Co-operative Act providing a basic and general legal framework for all types of Co-operatives, which received a large national consensus from all parties concerned, including both Co-operative and governmental.

Currently, Hungarian Co-operatives work out a model of agricultural Co-operative development focused on cost of production (inputs) and on a rationalised organisation of management, processing activities and marketing as well as of agricultural products.

*Poland:*

Three legislative texts were published. First, the transitional Law adopted in January 1990, regulating changes in the structure and activities of national and regional Co-operative unions. Except the National Co-operative Council, all other Unions (more than 400 all-around the country) were cancelled and their properties, worth billions of US dollars, sold out to the public – part of them was taken up by the employees and continue to function in form of employee buy-outs.

The ICA, World Bank and the ILO have reacted to this policy from new political forces in power and exercised all possible pressure on the national authorities to put an end to the liquidation of Co-operative properties, wrongly considered to be State property.

The second Law adopted in August 1991 was intended to correct disastrous effects of the Law of 1990 and to regulate revalorisation of members' shareholding in primary societies. The third text was a Draft Law of September 1991 proposing amendments to the existing Co-operative Law of 1982. It took three years for the national authorities to agree on the finalisation and adoption of this Law in 1994. It is a short text maintaining

in force the Law of 1982, amended and adapted, hopefully, to the current and future needs of Co-operative development.

Polish authorities declined external advisory services offered to them on the occasion of three seminars organised between 1989 and 1990, plus two ad hoc consultancy missions of ILO and ICA.

*Romania:*

Two new Laws, adopted in 1990, were published. The Decree-law No. 66 of February 1990 abrogated law No. 14 of May 1989 and provides for all types of workers handicraft Co-operatives. The second is the Decree - Law No. 67 adopted on the same date, which stipulates rules for the organisation and the activities of consumer and credit Co-operatives. The above two texts were elaborated by national experts immediately after changes occurred in late 1989. However, Romanian Co-operative movement is showing a keen interest in the ICA's activities and keeping as well a close watch on the Co-operative movements of developed countries.

*Russia:*

The publication included the basic Law which had been finalised with the assistance of ILO and ICA and adopted in May 1988. That Law regulated all types of Co-operatives, organised on a voluntary basis and separately from the State and the collective farms, the latter being integrated in the centrally planned economy.

Prior to this Law, several decrees, adopted in 1987, had introduced on a limited basis privatised individual activities and new Co-operative patterns, with a view to supporting the effectiveness of the socialist economic sector, the productivity of which had been on the decline for some years. The law of 1988 was based on the approach proposed by Mikhail Gorbachev in his well-known speech of March 1988 in regard to the role of Co-operatives for implementing restructuring of the economy.

The drafting committee had finally accepted some recommendations of the ILO consultant regarding 'privatisation' and rationalisation of Co-operative organisation and functioning. However it rejected several others concerning the introduction of ICA's Co-operative principles, establishment of a progressive taxation system for Co-operative income, distribution of land and exclusion from the Law (art 6) of the Work Collectives.

Several other ILO, ICA and Nordic consultancy missions, seminars and symposia took place in Moscow, in several Republics and in Uppsala

University in Sweden between 1988 and 1991, but with little effect, unfortunately, on needed deep structural changes, both economic and Co-operative. In June 1992 was adopted a new law limited to the consumer Co-operatives only, while previous laws and the upper Co-operative organisations disappeared with the collapse of the USSR in December 1991.

### **3. Conference on Co-operative Property and Privatisation: September 1992**

In September 1992, ICA organised in Geneva a conference, in which participated representatives of Co-operative member-organisations from several countries of Central and Eastern Europe. The main purpose was to give the representatives the opportunity to report: on progress made in restructuring Co-operatives; on the relationship and mutual impact between privatisation process on the one hand and Co-operatives on the other; on existing problems of Co-operative property, Co-operative policy and legislation; and on possible future action and transfer from West to East of aid, technology and managerial skills through a Co-operative network organised on this occasion, and operating until now, under the auspices of the ICA.

Three resource persons presented to the participants an analysis and evaluation of three main topics relevant to the main question of the conference: Co-operative Legislation, Property Rights and Privatisation in the Region (D. Mavrogiannis from Greece); the Effect of Privatisation Policies on Co-operatives (R. Svensson and Mats Ahnlund from Sweden); and Property Rights in Co-operatives (Lloyd Wilkinson from U.K.).

The papers and discussions of the conference were published and distributed by ICA.

### **Some Remarks in Conclusion**

ICA's concern and activities in support of member-organisations of the ex-communist countries of Europe, which started by laying down strategies of action in early 1990, have not yet ended. Moved from policy matters into advisory services in the field of legislative framework and promotion of privatised forms of Co-operative action, they continue to be provided in other forms, occasions and ways. The new Regional structures of ICA are taking up part of those activities and provide the ICA's follow-up in Central and Eastern Europe. In particular, promotion of movement-to-movement action, advisory services, aid and technical support are sought, in addition to the existing project of COOP-Network under the chairmanship

of Ota Karen, Co-operative leader of the Czech Republic and the general direction of Mats Ahnlund. Transition of the old restructured Co-operatives as well as of the new organisations and enterprises cannot be achieved without restoring a complete and adequate legal framework, providing the basic rules applied not only to Co-operative organisation and operation but also to the connected themes of favourable conditions and climate for the Co-operative sector, the latter being part of the political and economic pluralism.

But Co-operative policy, legislation and development occurred currently in the region, cannot be well performed and further pursued, if privatisation does not progress according to the wishes of the population concerned. Yet, the questions under consideration and discussion more and more spread around among specialists and national authorities in most of the countries concerned, are: *which privatisation? And transition to what?* Land distribution, transfer of the State property to the producers and workers, organisation of the agricultural economy, employment, food distribution, capital formation for private business, social services to the poor, cannot be satisfactorily provided for, if privatisation and transition to the conditions of the market economy neglect the Co-operative model of action, human dignity and social justice.

### **The Author**

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*Professor Mavrogiannis has provided a set of Notes which, in relation to various passages in his paper, give lines of further reference and reading. Copies are available from the Joint Editor, Dr. R.L. Marshall, Holly Cottage, 15 Beacon Road, Woodhouse Eaves, Loughborough, Leicestershire, LE12 8RN. Tel. and Fax: 01509 890612.*