



Republic of Bulgaria  
ECONOMIC  
AND SOCIAL COUNCIL

## **OPINION**

**on**

### **THE ROLE OF BULGARIAN COOPERATIVES FOR THE DEVELOPMENT OF THE SOCIAL ECONOMY WITHIN THE EUROPE 2020 STRATEGY**

Sofia, 2011

The 2011 Action Plan of the Economic and Social Council envisions the elaboration of opinion on

**The Role of Bulgarian Cooperatives for the Development of the Social Economy  
within the Europe 2020 Strategy**

The elaboration of the draft opinion was assigned to the Commission for Economic Policy and the Commission for Social Policy.

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The draft opinion was discussed and adopted by both Commissions at their meeting held on 8 December 2011 and submitted for adoption by the Plenary Session.

At its meeting held on 16 December 2011 the Plenary Session of the Economic and Social Council adopted this opinion.

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### **Abbreviations used**

CA – Bulgarian Cooperatives Act  
 ESC - Economic and Social Council  
 MIE – Minimum Insurable Earnings  
 SME – Small and Medium-Sized Enterprises  
 HACCP – Hazard Analysis and Critical Control Points System  
 NUCD – National Union of Cooperatives of the Disabled  
 NUAC – National Union of Agricultural Cooperatives  
 NUWPC – National Union of Worker Producers' Cooperatives  
 CAP – Common Agricultural Policy  
 RDP – Rural Development Programme  
 SAPS – Single Area Payment Scheme  
 WPCPD – Worker Producers' Cooperatives of People with Disabilities  
 COOP RC –COOP Retail Chain; CCU - Central Cooperative Union

## I. Main Conclusions and Recommendations

1. The Economic and Social Council (ESC) believes that Bulgarian cooperatives have an important role in the development of social economy within the Europe 2020 Strategy. By origin and objectives they are organisations which integrate and balance the economic and social requirements of society with the expectations of their members and promote their social responsibility. ESC's opinion is that the greater popularisation of cooperatives as subjects of the social economy brings forth cooperative values and the principles of mutual aid, accountability, democracy, equality, justice, solidarity, integrity, openness, social responsibility, care for other human beings, which not only cover the main principles of social economy, but reach out far beyond their bounds.
2. Cooperatives are a source of permanent employment and sustainable development. They expand opportunities for generating economic growth and GDP growth, create a favourable environment for innovation and making socially significant business decisions.
3. ESC highlights the fact that today more than a third of Bulgaria's population finds a link between meeting their daily socio-economic interests and cooperatives.
4. Creating over 50 000 jobs, including also jobs for people with disabilities, the cooperative system can be seen as one of the largest employers in the country.. With respect to this Worker Producers' Cooperatives ESC supports the enhanced cooperation between cooperatives, trade unions and employers for protecting the interests of the workers employed by cooperatives and insists that while developing social assistance and protection policies for workers to take into consideration the systemic difference between cooperatives and commercial companies which requires a different type of employee protection for those who simultaneously perform as employees and employers.
5. ESC believes that efforts should continue for regulatory and statistical justification of cooperatives as a separate institutional sector and part of the concept of social economy. With respect to this the ESC has the following recommendations:
  - 5.1. The adoption of the National Concept of Social Economy should be accelerated by which the state will highlight the role of cooperative organisations;
  - 5.2. The efforts for the statistical differentiation of cooperatives in Bulgaria by setting up statistical satellite accounts for them should continue. For this purpose, the National Statistical Institute should adopt a methodology for the creation of satellite accounts for cooperatives in Bulgaria by using the results of the project realised in collaboration with CCU and NUWPC.
6. ESC believes that the state should continue its policy of supporting cooperatives by providing grants to cover travel expenses incurred by them for supplying

directly bread and basic groceries to the people in nearly 2000 mountain settlements with population below 500 inhabitants.

7. ESC deems that it is necessary to increase the cooperation between the government and the municipalities, on the one hand, and worker producers' cooperatives in their capacity of the greatest employer of persons with disabilities, on the other. This cooperation should focus on increasing the better integration in the labour market of these persons, active participation in the social cohesion process, and combating social exclusion of considerable groups of Bulgaria's population.
8. ESC calls for taking the needs of agricultural cooperatives into very serious consideration during the realisation of the future Common Agricultural Policy (CAP).
9. Within Europe 2020 Strategy and UN recommendations in connection with declaring 2012 International Year of Cooperatives, ESC considers that the state should take more resolute action to increase the role of the cooperative system in the development of social economy in Bulgaria by taking the following actions:
  - 9.1. involving cooperatives in the government policies and programmes tackling the problems of unemployment, social exclusion and poverty, including creating new cooperatives;
  - 9.2. creating effective forms of support, relief and incentives to encourage cooperatives to develop and implement social and socially significant programmes;
  - 9.3. involving cooperative representatives in governmental as well as other national committees and bodies involved in developing strategies and programmes for the development of the economic and social sphere of the country;
  - 9.4. defining adequate conditions which correspond to the nature of cooperatives, including the cooperatives for people with disabilities, as typical subjects of the social economy, in relation to financing investment projects with European Union funds.
10. ESC is concerned to report the need to improve cooperative legislation and bring it in line with the changing social and economic environment and European and Union law. ESC proposes the changes to the Bulgarian Cooperatives Act which would:
  - 10.1. formulate specific governmental commitments to support the activity of cooperatives;
  - 10.2. lead to regulating processes that are not currently updated, complete and accurate due to the complicated procedures and too long time limits;
  - 10.3. form standards for the protection of cooperative ownership, providing that in case of conversion and liquidation of cooperatives indivisible cooperative property should pass to a specialised cooperative fund, which should support the creation of new cooperatives.

11. ESC believes that when solving the problems associated with the development of cooperatives as subjects of the social economy, the authorities should also rely on the EU adopted document "Social Business Initiative"(COM(2011) 628 Final, 25/10/2011), which for the first time presents in a structured form the priorities of social economy and its subjects.
12. At the same time, ESC considers appropriate to discuss the possibility of expanding and refining the rules governing the formation of mutual funds and the implementation of deposit and lending activities of cooperative organisations.
13. ESC welcomes the actions of the Bulgarian cooperative system for the adoption of the vision and objectives of the Europe 2020 Strategy as an integral part of its vision and priorities and making them a key element of the national cooperative unions for sustainable, effective and inclusive development.
14. ESC recognises the importance of education for the development of cooperatives within Europe 2020 Strategy. It is necessary to develop and implement a new approach to public policy for the preparation of specialists with higher and secondary education needed to work in the cooperative system.
15. ESC totally agrees with the UN assessment of the role of cooperatives in the process of social development. The declaration of 2012 the International Year of Cooperatives presents to Bulgarian cooperatives the opportunity to create a better political climate and public attitudes to cooperatives. It is a message to national cooperative unions to improve the synergies between them in order to create a common national cooperative body which can represent and defend the interests of all Bulgarian cooperatives.

## **II. The Essence of Cooperatives as Subjects of the Social Economy**

### **1. Identity, Values and Principles of the Cooperative<sup>1,2</sup>**

- 1.1. ESC accepts the conceptual definition of social economy as stated in the Charter of the Principles of Social Economy which is supported and promoted by the European Standing Conference of Co-operatives, Mutual Societies, Associations and Foundations.<sup>3</sup> According to this definition, the fundamental principles of social economy are:
  - precedence of the individual and the social targets to capital;
  - voluntary and open membership;

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<sup>1</sup> In 1995 the Jubilee Congress of the International Co-operative Alliance defines the identity of cooperative organisations in the following way: "The cooperative is a collective democratically governed organisation, being an autonomous and voluntary association of people it is based on the principle of improving the overall economic, social and cultural welfare."

<sup>2</sup> The current definition of cooperative principles and values was also formulated by the Jubilee Congress of the International Co-operative Alliance in 1995

<sup>3</sup> DI CESE 96/2007 EN – AT/ty. Social economy in the European Union. Summary of the report prepared for the European Economic and Social Council by CIRIEC (International Centre for Research and Information for the Public Economy, Social Economy and Cooperatives)

- democratic control by members (other than a foundations as they are not members);
- combining the interests of members (users) with the common interest;
- protection and implementation of the principle of solidarity and responsibility;
- self management and independence from public authorities;
- using most of the surpluses for sustainable development in favour of the members and / or common interest.

1.2. In this context, cooperatives are subjects of social economy. By their origin and purposes they are organisations which integrate and balance the economic and social requirements of society with the expectations of their members and promote their social responsibility.<sup>4</sup> The key elements of this process are: effective management and sustainable development; providing secure jobs; business ethics, creating new goods and services of better quality; healthcare and safety; protection of human rights and the environment; more active participation in community life and creating a model for socially responsible and tolerant public conduct. Against this background, it can be said that cooperatives possess all characteristic features of subjects of the social economy.

1.3. The acceptance of cooperatives as subjects of the social economy highlights cooperative values and principles<sup>5</sup> that not only coincide with the basic principles of social economy but reach far beyond their bounds.

**1.3.1. The cooperative values** - mutual aid, responsibility, democracy, equality, justice, solidarity, integrity, openness, social responsibility and the care for others:

- are a pivotal issue for the functioning of the cooperative system as part of the social economy;
- have stood the test of time and have been preserved for 167 years;
- endorse universal human values and enjoy enduring importance just like the latter;
- by the application of these values in practice cooperative organisations help to promote social solidarity in society.

**1.3.2. The cooperative principles** are the basic characteristic features of cooperatives that define them conclusively as subjects of the social economy. Here is a list of the cooperative principles:

- **Voluntary free association** - cooperatives are voluntary organisations, open to all persons willing to undertake public responsibility, free from social, racial, political or religious discrimination.

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- **Democratic power sharing** - A principle that lays in the foundation of cooperatives people, not capital. Members have equal rights and participate in the decision-making process according to the principle “one member - one vote”.
- **Economic participation of members** - profit is not a goal of cooperatives, their purpose is to improve the socio-economic conditions of life of the members and their families.
- **Self government and independence** - cooperatives are self-governing structures. They are conceived and operate as independent, aiding organisations - controlled by their members.
- **Education, personnel training and information** - A principle that defines cooperatives as organisations belonging to a group of people and society, not individuals.
- **Cooperation among cooperatives** - cooperatives can effectively develop their activities as subjects of the social economy only if they strengthen and consolidate the cooperative network and work in partnership with other bodies at the local, national, regional and international levels.
- **Care for the community** - cooperatives constitutes an important part of the social economy, which by the development of its activities contributes to the socio-economic and cultural development of local communities and society as a whole.

## **2. Historical preconditions for the development of cooperatives as a subject of the social economy in Bulgaria**

- 2.1. For 120 years - from their introduction until today, Bulgarian cooperatives have passed through many trials and crises, yet they have managed not only to adapt to different socio-economic conditions, but also to maintain their socio-economic nature intact and prove to be a subject of the social economy in Bulgaria.<sup>6</sup>
- 2.2. ESC assumes that since the cooperative system concentrates enormous economic, financial and human resources, its own reform after 1989 played an important role in the successful transition to market economy and gave cooperative organisations the status of important element of the new economic system in Bulgaria.

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<sup>6</sup> The establishment of the cooperative system in Bulgaria started in accordance with a European model, which was adapted and developed according to the socio-economic and social development of the country:

- The bylaws of the first Bulgarian cooperative formed in 1890 in the village Mirkovo, in the region of Pirdop, was drafted by eminent public figures like Todor Vlaykov and Todor Yonchev and possesses an entirely European character.
- Thanks to the creative energy and talent of the cooperative activists, Bulgaria is the fatherland of the multilateral cooperative, the invention of which contributed significantly to the international cooperative thought and practice.
- The first Bulgarian Cooperatives Act was adopted in 1907. It played the part of powerful incentive for the development of the cooperative movement in the country and largely determined the socio-economic characteristics of Bulgarian cooperatives.

2.3. ESC highlights the fact that today more than a third of the population of Bulgaria relates the satisfaction of their daily socio-economic needs to the cooperative system.

2.3.1. Currently in Bulgaria there are nearly 2,000 cooperatives which have 0.5 million members and provide 50,000 jobs. They employ about 50% of the workers with disabilities.

2.3.2. Cooperatives, regional cooperative unions and cooperative companies are organised in four national cooperative unions, which operate on the basis of the Bulgarian Cooperatives Act:

- **The Central Cooperative Union (CCU)** comprises consumer cooperatives in the country. It represents 155,000 cooperative members and 10,300 employees, members and employees in 808 cooperatives and 34 regional cooperative unions. Organisations within the CCU exercise diverse economic activity (trade in goods of first necessity, bread, farming and buying agricultural produce), social and public activity in about 3,000 settlements scattered throughout the country.

- **National Union of Agricultural Cooperatives (NUAC)** representing agricultural cooperatives for production and services. The currently existing 903 agricultural cooperatives were established in the period 1992-1994 following the liquidation of previously existing collective production structures. They involve 240,000 members, provide 16,000 permanent jobs, cultivate nearly 7 million acres of land and produce much of the necessary quantities of grain production to feed the population.

- **The National Union of Worker Producers' Cooperatives (NUWPC)** comprises small and medium-sized enterprises for cooperative production of industrial goods and providing services with over 20,000 cooperative members. They employ approximately 15,000 people, including about 11,000 workers with disabilities.

- **National Union of Cooperatives of Persons with Disabilities (NUCPD)** unites cooperatives of people with disabilities.

### 3. Cooperatives as Subjects of the Social Economy

#### 3.1. Legal grounds

3.1.1. Although theoretically cooperatives are considered to be equal to the capital structure, there are insufficient legal instruments that could enable them to act effectively as subjects of the social economy, which in turn leads to problems with the implementation of a significant number of policies. Therefore, ESC joins the efforts of the Bulgarian state, which through the Ministry of Labour and Social Policy undertook in 2010 the development of the **National Concept for the Social Economy**. The concept refers to the idea of social economy as reflected in the documents of the European Union and other international instruments and is a real contribution to achieving the objectives of the Europe 2020 Strategy. According to it, the social economy includes all enterprises which regardless of their legal form are created and act to achieve certain social objectives. Among them are cooperatives.

3.1.2. An important legal recognition of cooperatives as a form of social enterprise is contained in **the Cooperatives Act (CA)**, which was developed with the active participation of the national cooperative unions. The Act provides that:

- The cooperative is an association of individuals with variable capital and variable number of members which through mutual assistance and cooperation exercise commercial activity in order to meet their economic, social and cultural interests (Art. 1 CA);
- Regardless of his share contribution each member is entitled to one vote (Art. 19 CA);
- In carrying out their activities cooperative organisations must comply with the cooperative principles and values.

### **3.2. Statistic reporting**

3.2.1. ESC reports with concern that the organisations that are currently part of the concept of social economy, are not recognised in the systems of national accounts in Europe as a separate institutional sector. They are scattered in the national accounts where they can be hardly noticed. In this regard the Economic and Social Council welcomed the efforts of the European Commission, which in 2009 announced a call for tenders and funded 5 projects to develop satellite accounts for cooperatives in Europe, one of which was the Central Cooperative Union of Bulgaria.<sup>7</sup>

3.2.2. ESC joins the Commission in their evaluation that the creation of satellite accounts for cooperatives in Bulgaria will provide the opportunity on the basis of current and sustainable information at the national level to highlight the national importance of cooperative organisations for the socio-economic development of the country, their ability to generate balanced regional development and participate actively in the process of creating added value and new jobs in the various economic areas they occupy.

3.2.3. ESC believes that in order to successfully complete the process of establishing satellite accounts for cooperatives in Bulgaria, it is necessary that the National Statistical Institute should adopt a methodology for creating satellite accounts for cooperatives in Bulgaria using the results of the completed project.

## **III. The Role of Cooperatives in the Socio-Economic Development of Bulgaria**

### **1. Employment in cooperative organisations**

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<sup>7</sup> The project is entitled "Building an information system for the CCU as the basis for the creation of satellite accounts for cooperatives in Bulgaria" and was realized in 2010. The National Statistical Institute and the National Union of Producer Cooperatives were involved as partner organisations. The project was appreciated by the European Commission as a successful step and contribution in creating greater transparency for better recognition and protection of cooperatives by the European Parliament.

- 1.1. Taking into consideration the role of cooperatives as subjects of the social economy in Bulgaria, ESC believes that at times of economic crisis they have a significant impact on creating new jobs, bringing a number of economic activities out from the informal economy into the light, providing potential for new activities and professional inclusion of disadvantaged groups, those in social isolation, etc.
- 1.2. Collectively, the cooperative system is one of the biggest employers, including of people with disabilities. The workers participating in the four national unions are 50,000 people and together with their family members represent an enormous social responsibility, which is borne daily by the cooperative organisations themselves. They also employ half of all disabled workers in the country to which they provide a decent and equitable way of life. Thus, cooperatives solve many problems of social cohesion and combating social exclusion, some of which are the responsibility and obligations of the whole state.
- 1.3. The analysis shows that due to the efforts of national cooperative unions the negative impact of the crisis has a lesser impact on the lower levels of employment in cooperative organisations. The rate of reduction of employment in them at an average of 3.5% is significantly slower than the one reported for the entire country - 4.5%. To this must be added and the relative preservation of the number of disabled workers in cooperatives - about 2,000 people.
- 1.4. Unfortunately, despite the 140% increase in the average wage of employees in the cooperative system for the past four years, it is still significantly lower than that for the country. As reported at the end of 2010 the average monthly salary of BGN 475<sup>8</sup> is 73 % of the average for the country - BGN 648.<sup>9</sup> The reasons for this are the lower level and opportunity for technological development and innovation, which leads to lower labour output and competitiveness, as well as the maintenance of many businesses in smaller settlements in remote and derelict regions, where most of the population has little purchasing power.
- 1.5. The age and educational structure of the employees of cooperative organisations<sup>10</sup> increase their role in the development and implementation of national programmes to create green jobs and opportunities for active ageing and requires:
  - a new approach to public policy for the training of specialists with secondary and higher education for the cooperative system;

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<sup>8</sup> According to data from the statistical information system of the CCU

<sup>9</sup> According to preliminary NSI data

<sup>10</sup> According to data from the statistical information system of the CCU as of the end of 2010. 13% of the employees engaged in the cooperative system are under the age of 35, 83% are aged 36 to 65 years, and 4% - over 65 years. Although the absolute reduction in the number of employees with secondary education, the cooperative system maintains the proportion of staff with secondary education (27%) and general secondary education (51%). The relative share of workers with primary education was reduced to 11%. The same percentage applies also to the share of university graduates.

- improving the quality of human resources in cooperative organisations through the acquisition of key skills, new competencies and professional skills, professions and specialities associated with the modern needs of production and development of the social economy<sup>11</sup>.

## **2. Participation of Cooperatives in Social Dialogue**

- 2.1. ESC notes that national cooperative unions are involved in social dialogue at the national level directly or indirectly by employers or branch organisations. From this perspective, their membership in the Economic and Social Council of the Republic of Bulgaria, the Bulgarian Chamber of Commerce and Industry and the Bulgarian Industrial Chamber fully complies with the recommendations of the European Commission and the European Economic and Social Committee. It is, however, necessary to increase the number of representatives of cooperatives in government and other national committees and bodies involved in developing strategies and programmes for the development of the economic and social sphere of the country.
- 2.2. ESC observes that when creating the policy or social support and protection of workers is not reported that there is a generic difference between cooperatives and companies and therefore their members, who are simultaneously employees and owners, require a different type of social protection. The practice of negotiating minimum insurable earnings (MIE) by groups of employees employed in cooperative organisations<sup>12</sup>. This results in obtaining an equal minimum standard of social security for workers and creates conditions for payment of the actual price of their labour, which is a major motivating factor in retaining good staff and attract young and highly qualified specialists.
- 2.3. The participating of cooperative organisations in a number of important public and social causes has influenced significantly their recognition as an active social partner to the state. By granting financial aid to injured persons and organisations as well as people in disadvantaged position, donations of food products and equipment to schools for children with special educational needs, cultural and educational centres, homes for abandoned or disabled children, the homeless, the poor, socially disadvantaged persons, sponsoring and participating in charitable initiatives, labour agencies for children without parental care, bearing the costs of movable health centres for providing medical care, cleaning and developing settlements, etc. cooperative organisations demonstrate their strong social responsibility even at times of crisis.

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<sup>11</sup> Only during the period 2007-2010 the total number of CCU and NUWPC staff involved in training exceed 10,000 people. Vocational training centres at the national unions develop new programmes for the development of intelligent, sustainable and inclusive cooperative economy with high levels of employment, productivity and social cohesion.

<sup>12</sup> In this regard, it can be said that a positive practice has been adopted in that every year the Central Cooperative Union and the national branch trade union federations at CITUB and LC Podkrepa to negotiate individual minimum insurable earnings (MIE) for the system of CCU according to groups of employees, which are listed on a separate row in Schedule 1 of Art. 8 of the State Social Security Budget Act.

- 2.4. The Central Cooperative Union has over 700 members of 300 cooperative organisations elected in the local administration and through them it participates actively in the day-to-day lives of nearly 600 settlements throughout the country.

### **3. Cooperative Business - a Sustainable Development Model for Bulgarian Social Economy**

- 3.1. ESC recognises that as a subject of social economy in the country cooperatives are a co-factor for creating economic stability and social justice. They exert tangible influence on a number of economic processes, such as supplying the population with first necessity products and regulating the prices of such goods within economically justified and socially acceptable limits; decreasing the extent of informal economy, unfair competition, bureaucracy, corruption, uncontrollable import, hidden inflation; equitable distribution income; the creation and provision of social services which contribute to the democratisation of economy as a whole. With their effective participation in these processes cooperative organisations have proven to be an effective social regulator and alternative business model that ensures good governance and sustainable development, especially at times of economic and financial crisis.
- 3.2. The development of cooperatives is directly linked to local and regional development. They can be instrumental in accelerating rural development and boosting industrial enterprises, adjusting thus existing geographical imbalances because in the distribution of profits and surpluses cooperative structures prioritise reinvestment.
- 3.3. Cooperatives enjoy an established reputation of a reliable partner not only to the state and municipalities but also to companies and individuals with whom they have business relations. In carrying out its business activities, they continually emphasise the traditional importance of ethical and social norms on the market, ensuring transparency and fairness in its dealings with customers and partners.
- 3.4. Cooperatives exercise considerable social activity and have undertaken almost entirely the responsibility for supplying the population in small and remote settlements with vital consumer goods. Such settlements are inhabited predominantly by elderly persons and persons with low purchasing power. Private businesses care little about the situation of these people because in such locations there is no effective profit while the state has insufficient funds to develop social programmes for the protection of this population. In most cases the fate of these people is left entirely to cooperatives.
- 3.5. Today, cooperatives are deeply involved in a significant number of commercial activities of great importance to society, such as trade; production of bread and other bakery products; production of non-alcoholic beverages and bottling of mineral water; production of male and female clothing; production of shoes; production, buying and processing agricultural produce; production and trade on

the internal and external market with honey and other bee products, herbs, mushrooms, wild fruit, aquacultures; provision of social services, domestic services, etc.

#### **4. Consumer Cooperatives - Successful Business and Social Model for Regional Development**

- 4.1. ESC recognises that consumer cooperatives are successful business ventures and social development models. ESC further draws attention to the fact that at present they carry out a variety of commercial activities - the foremost of which is trade. Cooperatives from the CCU system perform much of their economic and social functions in small and remote settlements in particular through their more than 3,000 retail outlets. 750 of them are fully refurbished and upgraded and are divided into the national retail chain COOP. According to date published in November 2011 COOP RC holds market share of 4.03% ranking seventh among 30 retailer chains in the country. By number of outlets it is the largest chain in the country.
- 4.2. As a consequence of the reorganisation in the CCU system there were created 100 separate district bakery centres which are upgraded and meet all European regulations in terms of hygiene requirements for food production and HACCP. Through them and COOP retail outlets consumer cooperatives procure bread and basic food products to 192 high mountain villages and 1,733 settlements with fewer than 500 inhabitants. For this purpose, the Central Cooperative Union negotiates annually with the government grants for covering transportation costs to individuals and legal entities for carrying out their direct supplies of basic food products. CCU is the administrator of these funds since the early 1990s and the arrangements and procedure for the distribution and utilisation of targeted funds provided from the state budget is regulated by joint guidelines with the Ministry of Finance.
- 4.3. The supply of affordable social services includes cooperative tourism which is organised through the hotel chain entitled "COOP - Your place to relax"<sup>13</sup> and offers travel products for social and recreational activities for children, students, pensioners and people in need special care and medical supervision.
- 4.4. Over BGN 120 millions have been invested over the past 4 years in modernising economic activities in the system of CCU. The investments are made using own funds of the cooperative organisations and loans from the Fund for Mutual Assistance "Investments" at the CCU which are entirely directed towards the realisation of projects with high economic, social and social significance.

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<sup>13</sup> The chain consists of seven attractive fully renovated hotel complexes owned by the CCU which are located in some of the most attractive resorts in Bulgaria - Golden Sands, Nesebar, Kiten, Voneshta Voda, Bankya, Dobrinishte, Plovdiv.

- 4.5. The recognition of the results achieved by consumer cooperatives can also be measured by the two prizes for “National Structure with Contribution to the Economic Development of Bulgaria” awarded to the Central Cooperative Union in 2004 and 2006 as well as the gold medal and diploma awarded to the CCU by the Bulgarian Industrial Chamber in 2011 for its contribution to Bulgarian economy by the construction of Commercial and Logistics Centre COOP in the town of Sofia.

## **5. The Role of Agricultural Cooperatives in Bulgarian Agricultural Development**

- 5.1. ESC finds that although they have concrete production and branch direction, essentially agricultural cooperatives in Bulgaria are also social structures which have a huge yet unused potential for stabilising the national consumer market and for economic growth in general, increasing export and solving socio-economic problems of the people employed in the sector. Through them thousands of small landowners, who are unable to handle it themselves, unite in order to achieve their economic and social interests. To achieve these goals vertical association may be sought through which to create cooperative dairies, slaughterhouses, meat processing plants, mills and other processing and marketing enterprises for the manufacture and sale of finished product with added value.
- 5.2. At this point in the country there are 953 cooperatives, 95% of which are members of the National Union of Agricultural Cooperatives, and the remaining 5% are part of the system of the Central Cooperative Union.<sup>14</sup> They steward a total of 7,000 acres of land. The main objective of their activity is the production of cereals, oilseeds and other industrial crops. 10% of the cooperatives are involved in animal production and 4% - in the production of perennials.
- 5.3. Investment activity in agricultural cooperatives is dedicated almost entirely to the technological upgrade of production, especially to the delivery of high-capacity agricultural machinery. Significant help in this respect is provided by the Rural Development Programme (RDP)<sup>15</sup> where 50% of the investment is provided as a grant. But due to the fact that the grants are provided at a subsequent stage, i.e. cooperatives have to raise 100% of the funds for realisation of investment and only then they are refunded 50% of it, they are forced to use (to the extent of their capability) their own resources and mostly

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<sup>14</sup> In the range of cooperative activities in the CCU system there is one that needs to be mentioned deserves to be mentioned specifically - the forestry activity. The main part of the forest area (20 thousand acres) are forested with pine trees and located in the Rhodope Mountains. They are stewarded in accordance with the rules for their environmental regeneration and preservation of biodiversity for which the cooperatives possess a certificate of Forest Stewardship Council (FSC).

<sup>15</sup> Since the beginning of the Rural Development Programme, and the launching of the so called Measure 121 - "Modernisation of agricultural holdings", 340 cooperatives from NUAC and CCU received approval to realise their projects for a total of BGN 145 million .

resort to bank loans. As a result of the delay in the recovery of the aid and the quickly accruing interest on the borrowed funds, often the effect of this aid is actually lower than 50%.

- 5.4. The access to financial resources under the SAPS and the national payments and financial aid under the RDP has positive impact on the economic results of cooperatives. Impartially, ESC needs to emphasise here that without such access many farmers, including agricultural cooperatives, would be forced to cease their activity. Subsidies in agriculture stabilised the income of agricultural cooperatives, which had a positive impact on their ability to invest in their expansion and increased the economic interest in the cultivation of lands. There is a significant increase in rental and lease payments to land owners and the funds devoted to social activities. In its current form, however, the CAP does not provide the best possible aid to Bulgarian farmers because its measures are intended for farming at another technological, organisational and market level, where the public interest is of foremost importance. Therefore ESC insists that in the future application of the CAP in Bulgaria these factors should be considered as much as possible.

## **6. Worker Producers' Cooperatives, Social Added Value and Social Cohesion**

- 6.1. Worker and Producer Cooperatives (WPC) produce industrial goods and services rendered to the population. They are among the most complex cooperative types with established socio-economic nature and completing thus the cooperative system. They function as small and medium-sized enterprises and generate the so called middle class. Their constitution and the development of their activities are based on the property and labour participation of their members. Thus, WPCs replace their members' holdings and the economic situation of their families depends almost entirely on the efficient functioning of the cooperative enterprises.
- 6.2. Providing work and all necessary social benefits WPCs fulfil their social role not only within their particular cooperative but also at the regional level. Therefore, they influence the development of human resources, employment, the quality of life and development of the area in which they operate. They are distributed unevenly across the country. Overcoming this problem can be solved only by creating new cooperatives in areas where they are lacking. This is an important task and its realisation will boost the socio-economic development of many areas in the country.
- 6.3. The average amount of the assets of individual cooperatives is about BGN 1-2 million at market value. This seriously affects their ability to increase employment, production of goods and provision of services. Figuratively speaking, the system of cooperatives has a huge potential for developing the social economy. To realise this potential, however, requires the combined efforts of state, municipal and cooperative systems.

6.4. ESC reports the great involvement of the system of NUWPC in the employment and social integration of disabled persons. It employs 2,000 such persons, which makes it the largest employer of disabled persons in their country. They are employed in the specialised Worker Producers' Cooperatives of People with Disabilities (WPCPD).

Specialised cooperatives enable these people to exercise their right to work and lead a dignified life. In this regard:

- In recent years the managements of WPCPDs are actively involved with projects through the Agency for Persons with Disabilities totally amounting to BGN 2,054,250.

- In 2011 was launched the Operational Programme "Competitiveness" under procedure "Support for Businesses and Cooperatives for People with Disabilities" was launched in 2011. Despite the difficult conditions for obtaining funding, Worker Producers' Cooperatives of People with Disabilities (WPCPD) participated by submitting their projects.

- 8 WPCPDs participate in the tender organised under Operational Programme "Human Resources Development", grant scheme "Chance for All" and won.

- 9 national exhibitions of enterprises and cooperatives for the disabled were organised where the production of WPCPD was awarded 5 gold medals.

At present, in the conditions of financial crisis, WPCPDs face many challenges. This requires radical measures aimed at:

- technical and technological upgrade;
- improving the quality and competitiveness of the production as well as that of the employment of people with disabilities.

To achieve these goals the help of the state is also needed, namely:

- maintaining and expanding employment of people with disabilities and their social inclusion;
- removing obstacles for specialised cooperatives to apply under the EU operational programmes and to the Agency for Persons with Disabilities;
- reforming the legislative framework concerning the activities of specialised cooperatives.

A priority in the work of the NUWPC should be boosting the capacity of PCs to increase the employment of people with disabilities, reduce their poverty, as well as conducting a more effective comprehensive rehabilitation scheme.

Achieving all this requires financial resources that PCs are currently lacking. The sources for obtaining funding are the European Programmes, social and business projects subsidised from the national budget and received by the Agency for Persons with Disabilities (APD).

6.5. The efforts of the NUWPC are aimed primarily at improving the human capital and social infrastructure. The cooperative system preserved the tradition of providing healthcare to their members and their families. Moreover, cooperative

hospitals and health centres provide medical services to other citizens under more favourable conditions from those provided by state institutions. There is a specialised structure “Turmediko” which operates under the NUWPC and manages health-related activities. There are facilities for surgical treatment manned by leading specialists in respective fields.

- 6.6. WPCs are guardians of the Bulgarian national spirit, preserving the richness of its folklore and cultural traditions through the creation of song, dance and music groups, theatre groups, etc.
- 6.7. WPCs for people with disabilities continue to be the major employer of people with disabilities therefore there is an ever greater need for the active assistance and support of the state for increasing the occupational integration and social engagement of this social group. In this regard, ESC fully shares the idea of seeking additional opportunities to support WPCPDs.

#### **IV. Development of Bulgarian Cooperatives within the Europe 2020 Strategy**

##### **1. Active presence of Bulgarian Cooperatives in the European and international cooperative space**

- 1.1. ESC assumes that due to their successful work and socially focused initiatives and actions, current Bulgarian cooperatives participate actively in the European and international cooperative space. The Central Cooperative Union and the National Union of Worker Producers’ Cooperatives are successful, active and equal partners of many international and European cooperative structures, including:

- **International Cooperative Alliance (ICA)**, which comprises more than 1 billion individual members and 257 national organisations from 95 countries and 7 economic branches. The membership of Bulgarian cooperatives in the Alliance dates back to 1902. Bulgaria was the first country to join the five founding countries of the global cooperative organisations only seven years after its creation in 1895.
- **Cooperative Europe - European region of ICA** comprising 163 million individual members, 99 national cooperative organisations, 37 countries and 6 economy branches, providing 5.4 million jobs.

- 1.2. Evidence of the increased international prestige of the Bulgarian cooperative movement is the fact that representatives of the Central Cooperative Union and the National Union of Worker Producers’ Cooperatives participate in the governing bodies, standing committees and working groups of these global organisations. Through this and their participation in a number of joint initiatives and projects both unions have an active impact on the development of the European and international policy concerning current socio-economic problems, such as recovery from the crisis and asserting cooperatives as a sustainable business model, social innovations and partnerships for development, EU social policies, the open method of coordination, public procurement, social enterprises, the influence of cooperative groups on the

competitiveness of their members, the property of cooperative members and workers, legal framework, mobilising cooperatives as SMEs for the future development of Europe, encouraging young entrepreneurs and enhancing communication between cooperatives, trade unions and employers, creating a European social network, etc.

1.3. ESC joined the Bulgarian cooperative community in welcoming with appreciation and satisfaction the announcement by the United Nations of 2012 International Year of Cooperatives under the slogan “Cooperative Enterprises Build a Better World.”

1.3.1. ESC shares the opinion that this act is the greatest recognition for the role of cooperatives in social development processes. In this way UN expressed its commitment to the future development of cooperatives and recommended to the Member States and all stakeholders to use the International Year agenda to support the development of cooperatives and the public awareness for their contribution to socio-economic development.

1.3.2. The International Year of Cooperatives presents to Bulgarian cooperatives the opportunity to create a better political climate and public attitudes, active commitment of the state and other stakeholders to find solution for existing problems for cooperatives, and a better utilisation of their potential for developing the social economy and society.

1.3.3. Cooperatives, regional and national cooperative unions in Bulgaria are currently preparing events that will become part of the global cooperative movement to commemorate 2012. ESC joins the expectations of the Bulgarian cooperative parliament, government and the general public to be involved in this process and urges them to use their initiative to promote Bulgarian cooperatives as a subject of the social economy.

## **2. The Contribution of Bulgarian Cooperatives to Achieving the Targets of the Europe 2020 Strategy**

2.1. The main objectives of the Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth are:

- Europe to act collectively as a union;
- emerge from the crisis economically stronger;
- transform the EU into a smart, sustainable and inclusive economy;
- high labour productivity;
- social cohesion;
- building the social market economy for the 21st century.

2.2. Among the most active participants in the implementation of the strategy are the social partners, stakeholders and civil society, some of which are cooperative organisations.

- 2.3. ESC is pleased to report that the Bulgarian cooperative system adopted the Europe 2020 Strategy as a guideline for its own development. The objectives and priorities of the strategy have become an integral part of the policies of national cooperative unions for sustainable, effective and inclusive development. On this basis cooperative organisations have developed and adopted their own strategies and activities for achieving the objectives by 2020:
- 2.3.1. Improving cooperative legislation by introducing amendments to account for the changing social and economic environment while maintaining the cooperative identity and cooperative business model and help create a common legislative framework governing the European consumer cooperatives.
  - 2.3.2. Expanding the social base of cooperatives and satisfying the interests of members of the cooperation by promoting the cooperative business model as a significant factor at the regional and national level.
  - 2.3.3. Improving the structure of the cooperative system by adapting it to the objective demographic and economic situation in each individual region of the country.
  - 2.3.4. Securing any cooperative organisation with the necessary minimum of labour resources for maintaining stable economic growth, providing opportunities for adequate remuneration, annual training, dignified working conditions and attracting young, highly educated and highly motivated professionals.
  - 2.3.5. Restoring economic growth and ensuring sustainable development based on knowledge, investment and innovation.
  - 2.3.6. Expanding the presence of cooperative organisations in the field of social economy and developing programmes for rehabilitation activities of persons with disabilities from WPCPDs.
  - 2.3.7. Promoting the achievements and performance of cooperative organisations to the public, building awareness and promoting a positive image at their regional and national level.
  - 2.3.8. Deepening and intensifying the international relations of the cooperative system and committing cooperatives to European standards and values, using all opportunities offered by "Cooperatives Europe" and European cooperative branch organisations to lobby to the European Parliament and formulating concrete proposals to the European Commission in support of enhancing the participation and impact of cooperatives on the social economy in Bulgaria.
- 2.4. In order to achieve these objectives the Bulgarian cooperative system has developed specific annual benchmarks and indicators that reflect the level of their implementation and the expected effect.

### **3. Priorities for the Development of the Cooperative System in Bulgaria as a Subject of the Social Economy**

3.1. ESC believes that increasing the role of the Bulgarian cooperative system in the development of the social economy can be achieved by implementing the following key social and economic objectives:

- 3.1.1. Asserting and developing cooperatives in Bulgaria as a subject of the social economy and an important part of civil society;
- 3.1.2. Preservation and full implementation of cooperative principles and values;
- 3.1.3. Improving cooperative legislation in accordance with the changing social and economic environment and working to create a common legislative framework governing the functioning of European cooperatives;
- 3.1.4. Building a system for coordination of national cooperative structures by creating a common national cooperative body which represents and defends the interests of all Bulgarian cooperatives;
- 3.1.5. Developing the cooperation between different types of cooperatives at the local, regional and national level. Creating new types of cooperatives and extending the number of existing ones;
- 3.1.6. Reviewing the methods, policies and programmes for cooperative learning and its compliance with the immediate tasks facing the cooperative system and its strategic objectives by 2020;
- 3.1.7. Better use of current information and communication technologies to promote the cooperative idea and successful cooperative business models as well as highlight the contribution of cooperative organisations to the economic and social development;
- 3.1.8. Providing the necessary expertise and mechanisms for the complete integration of the Bulgarian cooperative system into the cooperative space of the European Union;
- 3.2. The historical experience and the rich traditions of the Bulgarian cooperative movement show that cooperatives are and will be significant social and economic phenomenon not only in Bulgaria but in Europe and the world. In this context, cooperatives should continue in the future to develop their characteristics as subjects of the social economy amounting to:
  - economic stability and sustainable development;
  - socially responsible investments;
  - more and better jobs;
  - open coalitions of cooperation with society;
  - visibility and high public image.

This opinion of the ESC is formed on the basis of the information about the following nationally representative unions: Central Cooperative Union (CCU), National Union of Agricultural Cooperatives (NUAC), National Union of Worker Producers' Cooperatives (NUWPC), and National Union of Cooperatives of Disabled (NUCD). This

opinion does not extend analyses of various industries such as farming, agriculture, etc., it just addresses the role of cooperatives in their economic and social environment.

(signature)

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**PRESIDENT OF THE ECONOMIC AND SOCIAL COUNCIL**