

# Visions Concerning the Modernization of Consumer Co-Operation and the Increase of its Impact upon the Socio-Economic Development of the Republic of Moldova

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## *Abstract*

*The Consumer Co-operation from Moldova, becoming an important segment of socio-economic system of the country, during its activity of around a century and a half passed through different periods of ascension and decline, resisting to the impact of the world economic crisis and internal ones. The latest evolution of the co-operative system confirms that it hasn't become stable, durable yet and it is easily influenced by internal and external factors.*

*The modern challenges impose as priority the need to rethink the co-operative forms of organization and its management, of the domains of economic activity, of the property relations' system, of the relations with its members, of the motivational system. The implementation of innovative and strategic solutions in this context would boost the development of the Consumer Co-operation from the country.*

**Keywords:** *Consumer Co-operatives, modernization, optimization, organizational restructuring, economic efficiency, strategic and innovative development.*

**JEL classification:** O12, P13, L26.

## **Introduction**

The Consumer Co-operation from Moldova during its existence for more than 140 years had a great impact on the socio-economic development of the Republic of Moldova, keeping intact its principles and values. Having the mission of satisfying the consuming and social needs, it unfolds its activities of trade, procurement and processing of agricultural products, rendering services, including educational and research ones.

The implementation during the last decades of free market relations based on competition was accompanied by a slow adjustment to the mechanisms and the dynamism of market economy and weak motivation of co-operative members and of employees in the Consumer Co-operation's development. The tendencies which were manifested in the co-operative sector during this period, initially marked by a

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decline (after 90-ies) and later by an economic increase during the last decade, as well as the impact of world's economic crisis on the development of consumer co-operation confirms that the existent social-economic model of co-operative system from the country falls behind the requirements of modern economy. In such conditions of a great importance becomes the necessity of an innovative economic model based on diversity, innovation, co-operation which would accelerate the social-economic development of consumer co-operation.

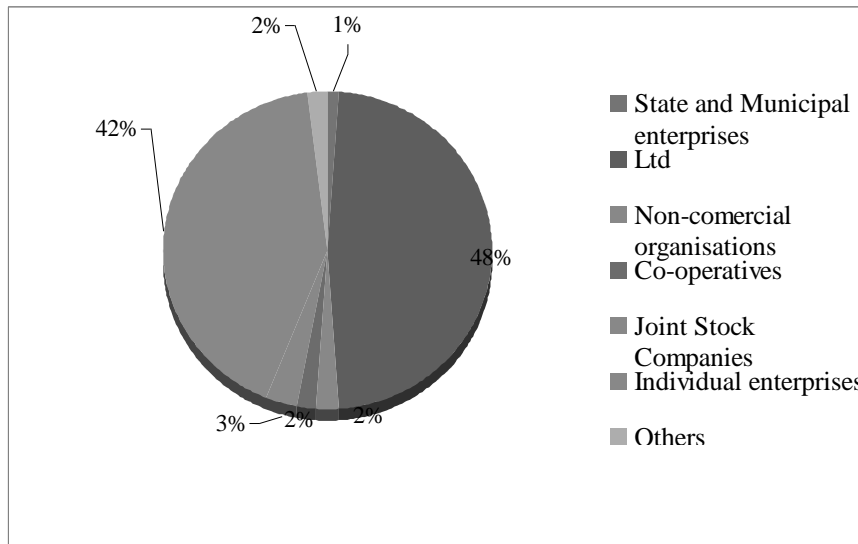
This paper analyzes the constraint factors in the domain of Consumer Co-operation's development in the country (out of which in the first place is regulating the proprietorship's relations, rigidity of the form of co-operative organizing, limited access to investments), national legislation in this field (which is appreciated as over restrictive and already doesn't assure flexibility), European policies and experience in the domain of co-operation and is being argued the opportunity of more flexible application of the co-operative principles and organizing the co-operatives in an innovative way.

From this perspective, in order to assure the functioning of the co-operative system and its progress in the future, to prevent the internal crisis of the system, there are being proposed the suggestions concerning the modification of the legislative framework (first of all of the Law of Consumer Co-operation), management's optimization, reconsideration of proprietorship's relations, creation of favorable legal conditions for attracting internal and external investments, diversification of co-operative types, optimization and efficiency of the co-operative activities etc.

### **1. The importance and the dimension of the co-operative sector in the Republic of Moldova**

The co-operative system in the Republic of Moldova is one of the oldest and the most important movements from the country. During its evolution, it took different forms, it developed with different intensity, adapting to each historical period, knowing periods of ascension but also periods of decline, anyway it always found the necessary equilibrium in order to continue its socio-economic mission.

The transition to the market economy and implementation of free economic mechanisms during the last two decades, favored the diversity of organizational forms of enterprises and of economic activities, development of entrepreneurship, the latest influenced the structure of economic agents according to the organizational-juridical form. According to State Chamber of Registration of the Republic of Moldova on January 1, 2012, there were registered 160,717 legal entities and individual entrepreneurship, from which 4023 are co-operatives (production, consumer co-operatives, entrepreneurship co-operatives), their share constituting 2.5% as presented in Figure 1.



**Figure 1. The structure of economic agents from the Republic of Moldova according to the organizational-juridical form**

In the 90's (the period of the beginning to pass from the planned economy to the market economy) in the Republic functioned 3250 co-operatives, the main types being: consumer co-operatives, designing and building, agricultural ones, etc.

Together with the development of the general and specific legislative framework in the domain of co-operatives – Law on Co-operation (No. 864-XII as of 16.01.1992), Law on entrepreneurship co-operatives (No. 73-XV as of 12.04.2001), Law on Consumer Co-operation (No. 1252-XIV as of 28.09.2000), Law on production Co-operatives (No. 1007-XV as of 25.04.2002), Civil Code (No. 1107-XV as of 06.06.2002) – the form of co-operative activity diversified its types, being actually presented by consumer co-operatives, production co-operatives, agricultural co-operatives, entrepreneur's co-operatives etc. Within the co-operative sector an important role is attributed to Consumer Co-operatives.

## **2. Tendencies of developing and actual situation in Consumer Co-operation**

Consumer co-operatives from the Republic of Moldova represents one of the most numerous organized systems from the country. During its existence of 144 years it has proved to be one of the most stable segments in the domain of co-operatives, not only with an economic but also with a social impact. In this context, it should be mentioned that in comparison to other forms of activity, the economy of Consumer Co-operatives has a pronounced social character.

Consumer Co-operatives has steadily expanded its areas of activity, becoming multi-sectorial and continuously developed its own infrastructure, which penetrates the entire geographic area of the country. Thus, beginning from

rendering commercial services to its members, (assuring them with goods, mostly of first necessity), the Consumer Co-operatives from Moldova, in 80's-90's, unfolded different activities: retail and wholesale activities; procurement of agricultural products, of animal origin and other nature from the population; conditioning and processing of agricultural products;; rendering services, including public catering, educational and transport service etc. In planned economy (until the early 90's) the Consumer Co-operation was the only commercial system which rendered services in rural areas and maintained the monopoly in the rural market, assuring 36%-40% from the retail sales volume from the country and having its own network of shops (60-65% from the total number) placed in the whole country.

The number of employees that were operating in this system during the reference period was over 70 thousand; the number of co-operative members exceeded one million people (23% of the whole population). Traditionally the Consumer Co-operatives operates in rural areas; this feature is being maintained till now. The implementation and development of free market relations in Moldova since 90's, favored the appearance and development of competition, which co-operatives could not face at the first stage, and as a result reducing the dimension of the co-operative system, the sharp decline of economic activity's indicators.

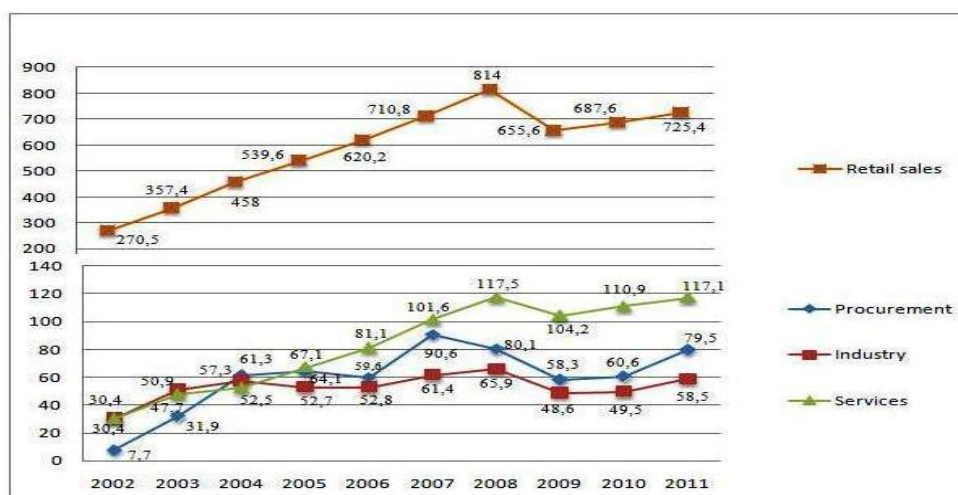
Thus the period until 2002 was characterized by an economic decline of consumer co-operative system's activity, inefficient use of its infrastructure, the loss of position on the domestic market. Only by 2002 the decline trends had been stopped, later there were outlined some growth trends, which attributed stability to the development of Consumer Co-operation.

At present the current dimension of Consumer Co-operatives from the country is characterized by the following indicators (in 2011):

- co-operative members – around 200 thousand;
- economic agents – 171, including consumer co-operative – 104;
- number of employees – around 6000 persons;
- number of villages from the country where the consumer co-operation renders its services - 1107 (the penetration rate of localities from the country - 66%), served population - 1.8 million people (53% of the whole population);
- areas of economic activity - retail and wholesale trade, procuring of agricultural products and products of other nature, food production, rendering services (market, public catering, educational);
- co-operative infrastructure – 2111 trade units (22% of the total number from the country), with an area of 2,000 m<sup>2</sup> (24% of the total commercial area), 23 procuring enterprises of agricultural products, of zoo technical raw material and material of other nature, 44 commercial markets with 11 thousand working places, 3 production enterprises.

It should be mentioned that Consumer Co-operative system has developed during the evolution its educational system too, which includes all levels of professional education: university, college, vocational.

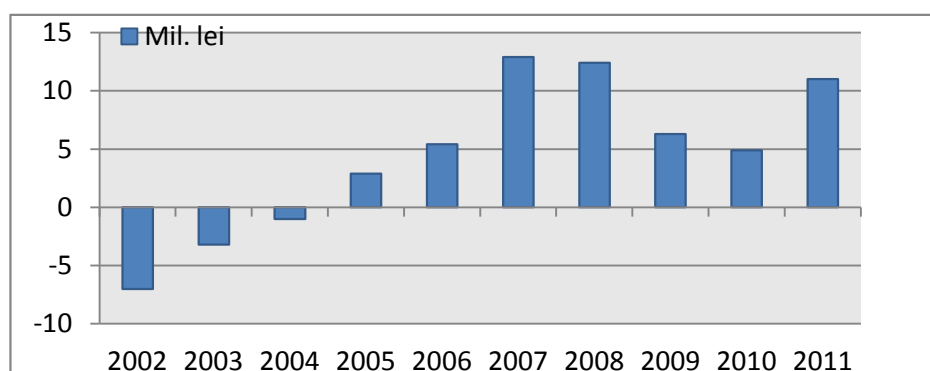
The economic activity of the Consumer Co-operative system knew an uneven evolution under the internal and external factors, as presented in Figure 2. Thus, the accelerated development of co-operative branches in 2003-2004, was followed by certain stability in the next two years (2005-2006), in 2007 it registered an essential increase. In 2008-2009 the Consumer Co-operative's activities in Moldova was affected by the global economic crisis, which was manifested by a marked decline of major economic indicators, its impact being felt in 2010 too. In 2011 the economic situation has stabilized again, being outlined some growth trends. Further, a more detailed analysis reveals that the boosting of economic activities is observed on the eve of the Congress of Consumer Co-operatives (2003, 2007, 2011), which, in our view, confirms the system's internal potential and capacity to mobilize resources in order to assure the functionality of Consumer Co-operation and of its effective activity.



**Figure 2. The volume of retail sales, industrial production, procurement of agricultural products, rendering services in the Consumer Co-operation from Moldova**

The economic recovery of Consumer Co-operatives succeeded largely thanks to the extension and modernization of its infrastructure (trade and public catering, production, especially the bread and slaughters). The emphasis was placed on the commercial sector, because it has a dominant share in the turnover of Consumer Co-operatives (around 80%). Since 2003 it began an ample process of reopening and modernization of trade units in rural areas (primarily there where they were missing). Thus, during the years 2003-2008 there were reopened and put into operation 580 trade units and public catering, modernized technologically - 858 units (of which 105 units in 2008), when felt the influence of economic crisis already. Even in 2009-2011, in the conditions of economic crisis, the process of retechnologization continued, 111 units were modernized and 23 units were opened.

Intensive and extensive development of co-operative activity contributed to the increase of the net sales of consumer co-operatives in 2002-2010 period with 2.2 times and therefore, to the improvement of the financial-economic situation of the system. It should be noted that in 1999-2002 the co-operative system worked with losses in ascension, only in 2003-2004, due to the change of economic policy and efficientization of consumer co-operatives' management the losses were reduced. Beginning with 2005 the Consumer Co-operative system has become profitable, as illustrated in Figure 3. So, if in 2002 the co-operative system registered losses of 7 million lei, then in 2007-2011 the annual net profit ranged within 5-13 million lei.



**Figure 3. The financial results (profit, net losses) of consumer co-operative's activity**

Based on the above-mentioned things, it can be concluded that, although the economic- financial situation of co-operative system has recovered in the latest years, its economic development doesn't register a consistently stable growth, but its inside potential is not fully exploited.

#### **4. Problems and constraints faced by the Consumer Co-operatives**

The existent situation in the Consumer Co-operatives, incoherent tendencies of its development in recent years in the conditions of competitive market, confirms that Consumer Co-operatives has not yet become stable, durable and it is easily influenced by both external and internal factors. This conclusion is supported by the following:

- the number of the consumer co-operative's members is in decline, the enrollment of new members is very low;
- technical-material basis is used only partially, in retail trade is used only 75% of available infrastructure, in other fields (industry, procurement) the usage of infrastructure is lower;
- co-operative's heritage is in decline (the rate of real estate alienation is much higher than the construction / purchase of new infrastructure);

- institutional capacities of co-operative system to invest in infrastructure's development are limited compared to the needs ( the need of investment for 2008-2011 was valued at 217 million lei but the real invested sources during this period were only 58 million lei);
- in the structure of traditional economic activities more sustainable are trade and rendering services, other sectors, especially industry, have no capacity for multidimensional development (on the product and on a geographical area) mainly due to limited financial resources;
- the share of retail trade of Consumer Co-operatives in rural environment is diminishing (from 20% to 11% in the last years).

Those mentioned-above confirm the existence of deficiencies in the regulatory, management, the organization of the activity of Consumer Co-operation, of its social responsibility towards its members too.

The main weaknesses faced by the Consumer Co-operatives, in our opinion, are the legislative, motivational, financial, patrimonial, organizational, managerial ones, as presented in Table 1.

**Table 1. The main constraints faced by the Consumer Co-operation from Moldova**

| <b>Domains</b>     | <b>Constraints</b>   |
|--------------------|--|
| Legislative        | <ul style="list-style-type: none"> <li>• imperfection of legislation on Consumer Co-operation</li> <li>• non-adjusting of the co-operative legislation to other normative acts and communitary acquis</li> </ul>   |
| Financial-economic | <ul style="list-style-type: none"> <li>• limited access to foreign capital</li> <li>• the existing system does not favor attracting internal and external investments, especially, attracting new funds</li> <li>• maintaining the diversity of economic co-operative activities, some areas being inefficient</li> </ul>  |
| Organisational     | <ul style="list-style-type: none"> <li>• rigidity of principles (which maintain the traditional way of organizing co-operatives and doesn't stimulate the implementation of new innovative forms)</li> <li>• multilevel organization of Consumer Co-operation (cooperatives - territorial units – central union of consumer co-operatives) and the existence in some districts, regions of several economic agents with the same geographical area of activity which is a barrier to co-operative development</li> </ul> |
| Managerial         | <ul style="list-style-type: none"> <li>• maintaining multilevel structure generates "delays" in decision making process</li> <li>• excessive hierarchical structure involving unreasonable administrative costs</li> </ul>   |
| <b>Domains</b>     | <b>Constraints</b>   |
| Patrimonial        | <ul style="list-style-type: none"> <li>• imperfection of property relations within the Consumer Co-operatives</li> <li>• the property relations, established in the system, does not facilitate the efficient and competitive functioning of Consumer Co-operation in a competitive environment</li> </ul>   |

|              |  |
|--------------|--|
| Motivational | <ul style="list-style-type: none"> <li>• financial contributions of co-operative members are very modest, leading to a decreased interest in the development of co-operatives and do not motivate to participate in the development of the co-operative system</li> <li>• possessing a small social share reduces the members' interest to influence decision making factors for an effective management</li> <li>• employees are not motivated for a continuous increase of their efficient activity</li> </ul> |
|--------------|--|

Analyzing the current situation in the co-operative area of Moldova allows concluding that the accelerated development of Consumer Co-operation is limited, essentially, by the contradictions between traditional approaches of organizing the co-operative and modern challenges of modern economy based on competition and competitiveness.

All these require and justify the need for an innovative new vision to reform the Consumer Co-operative system from the country, which would boost its development, would motivate all the participants (their members, employees) to work efficiently, sustainably and would enhance the competitive advantages of this system.

A determined factor for the development of Consumer Co-operatives in the future and to achieve its socio-economic mission is to create fair economic conditions for all economic agents operating on the domestic market, which would assure honest competition. It also should be noted that the Consumer Co-operatives, as part of socio-economic system of the country, is greatly influenced by the phenomena, tendencies manifested at the macro level. In this context, we consider necessary to mention that the situation registered in Consumer Co-operatives was generated not only by internal factors, but also by external ones. The latter mainly influenced the unfair economic conditions for the activities of Consumer Co-operatives and other entrepreneurship agents.

This situation was the result of the legalization of patent-based entrepreneurship (Law on entrepreneurship patent, No. 93-XIV as of 15.07.1998). This practice is unique only to the Republic of Moldova. Paying the patent fee in the amount of 100-400 lei (equivalent to approximately € 6-25), the patent holders sell goods in huge quantities (including food products, technical goods, etc.) without paying other taxes and dues.

The efforts of authorities in the last five years and facilities offered to patent holders in order to change the form of activity to other organizational-juridical legal form encounters great resistance from those people.

Although, according to legislation amendments (Law for modification some legislative acts, No. 208-XVI as of 07.07.2006), the reform of the business patents had to be carried out in 2007-2009, but under the influence of social factors the term of validity of the entrepreneurship patent for the retail business was extended until January 1, 2017 (Law No. 121-XVI as of 29.05.2008).

For the Consumer Co-operative system, that makes payments and taxes, keeping the trade activity based on entrepreneur patent means maintaining unfair



economic conditions and unfaithful competition with other agents of commercial entrepreneurship.

Currently, on the domestic market there operate 30,200 patent holders, 60% in trade. State Ministry of Economy estimated annual losses up to 2 billion lei (equivalent to 127 million €) from the patent-based activity. At the same time, according to the information of the National Bureau of Statistics, the share of retail sales on the markets (considered non-organized trade) constitutes 35% of total volume of sales in the country, respectively through trade units – only 65%.

Another important factor, upon which depends the development of Consumer Co-operatives in the future, is the support of this form of co-operative by the authorities of the Republic of Moldova. Taking into account that during its activity the Consumers Co-operatives actively enrollment at realization of national socio-economic policy, assuring with the first necessity goods and rendering services, the furthest rural areas, the Government should subsidize some co-operative economic activities, for example, manufacturing and providing the population with bread and bakery products, procuring from the population of agricultural products surplus, livestock, etc. But, unfortunately, this does not take place. Instead, the local authorities often impose major taxes on the activity of co-operative units. In these conditions the co-operatives are required to cease their activity, in the long run, the population suffers.

That is why, in our view, boosting the development and assuring the functioning of Consumer Co-operation from the country requires on one hand, internal innovative solutions in the domain, on the other hand, the support of this sector by external decision factors.

#### **4. Considerations on remodeling and optimization of the Consumer Co-operation**

The amplification of internal needs of changes requires rethinking the organizational forms of co-operatives, of their management, domains and forms of activity, of relations with its members, property relations system. It is also important to redefine the role of the state in the relationship with the Consumer Co-operative system and the elaboration of some national development options of this system, restoring its image in the society.

All these require amendments of legislation on Consumer Co-operation, adjust it to the internal needs of the system, to the community acquit and to international experience in the domain, as well as optimization of infrastructure, increasing the efficiency of economic activities within the Consumer Co-operation, which fulfillment finally, will have a social impact.

We should mention in this context that the Consumer Co-operative activity in Moldova is governed by the Law on Consumer Co-operation (No. 1252-XIV as of 28.09.2000), which foresees:

- non-commercial character of Consumer Co-operative organizations (which became a barrier to attracting financial sources, investments),

- limiting the categories of co-operative members (natural persons and legal entities) only to member-users of co-operative services,
- the form and the traditional organization of co-operatives does not stimulate the implementation of innovative forms and attracting investments,
- multilevel hierarchy in organization and management of the co-operative system (currently 3 levels: co-operatives – territorial units – central union);
- a very high representative level to call the governing bodies of co-operatives, which in many cases leads to "delay" in decision making process.

As specialists in the field consider, this law is overly restrictive, detailed and requires improvement.

Assuring the functioning of the co-operative system and its progress in the future, the prevention and consequences of the internal crisis, assuring the stability of the system were the main discussed issues at the XVth Congress of Consumer Co-operatives (on January 27<sup>th</sup>, 2012).

Taking into consideration the actual situation in the domain of Consumer Co-operatives and in order to assure the continuity of evolutionary processes, strengthening the position of cooperative system in the national economy, increasing the competitiveness on the home market, at the Congress was approved the Program for Development of the Consumer Co-operation for 2012-2015, at the elaboration of which we participated.

The program establishes for the mentioned period the following priorities:

- streamlining the organizational-managerial structure of the Consumer Co-operative system, implementation of innovative models of co-operatives' organization, adjusting the legislative framework,
- developing and diversifying economic activities,
- consolidation of resources and increase the competitive potential of Consumer Co-operatives,
- emphasizing the economic-financial capacities of Consumer Co-operatives, increase the economic efficiency of system's functioning on the entire vertical,
- development of public - private partnership.

Taking into consideration the priorities, the actions foreseen in the Program, focused on optimization, efficientization, as well as the internal needs of the Consumer Co-operative system of restructuring, implementation of some innovative organizational approaches, we consider opportune the following.

In the domain of *optimizing the organizational-managerial structure* of Consumer Co-operation on the first place is the need of:

- managerial restructuring through:
  - reducing the hierarchical structure and the transition to two- level structure (Consumer Co-operatives - Central Union),

- optimization of the leading authorities of the co-operative organizations, excluding those that prevent the decision-making process,
- internal management restructuring at the organizational level (co-operatives, enterprises),
- optimize the organizational structure of the system by:
  - evaluation of co-operative entities and reorganization/ liquidation of inefficient working ones (about 35% of economic agents from the consumer co-operatives are operating losses),
  - reorganization / restructuring of co-operatives operating on the same market (now in some districts from the same geographical area there activate several agents of Consumer Co-operatives) through their merger (or other appropriate forms), which would help to reduce the operating costs, especially the administrative ones,
  - establishment of some integrated and associative co-operative structures on certain economic domains (retail - wholesale, procuring – processing – conditioning - storage of agricultural products, etc.).

At the same time, we consider urgent the reassessment and more flexible application of the principles of constituting the types of co-operatives. In this respect there could be regulated two-level co-operatives (with the implementation of some elements from international practices): first degree co-operatives, formed on classical principles by individuals, and second degree co-operatives, created by legal entities (first degree co-operatives) and natural persons (as they can be their members, employees, consumers, foreign investors, etc.). The latter can participate with their contribution to the formation of social capital of the co-operative, stimulating in such a way the investments in the co-operative sector.

An important factor for assuring sustainable development of Consumer Co-operatives has become the attraction of internal and external investments. In achieving this goal, in our view, substantially would contribute the:

- diversification of categories of consumer co-operatives' members – member-users (those using the co-operatives' services) and non-member users (those not using the co-operatives' services but are interested in investing in their development) and elaborating an effective system of rewarding the investments,
- distribution of the obtained profit by co-operative organizations to their members in proportion to its subscribed capital, what would increase their interest to co-operative development and would motivate them to invest for this purpose,
- omitting from the legislation of norms that provide the non-commercial character of consumer co-operatives' organizations, which in the current conditions limits the economic possibilities of co-operatives' entities, lacks them facilities offered to small and medium enterprises

and places co-operatives under unfair conditions in relation to this category of competitors.

Implementations of these proposals require amendments to existing legislation, particularly to the Law on Consumer Co-operation.

Of main importance for strengthening the co-operative system is attributed to development, diversification and efficientization its economic activities. For this purpose, in the commercial domain, on the first place, is the need to create a unique distribution system that would associate within the consumer co-operatives wholesale (warehouses) and retail (stores) infrastructure in a unique system with a common management and an adequate financial and logistical system (currently more than 2111 stores are independently managed by 171 co-operative units and co-operative organizations, which use their own system of procurement and distribution of goods, that involve major costs).

Establishing a unique commercial distribution system will allow efficientization of trade activity as well as increasing the quality of commercial services by promoting some concepts and formats of modern retail chains (extending the implementation of format stores CoopPrim and supermarkets CoopPlus, which started in 2007 and now register 26 units and establishing new concepts of co-operative stores). Namely developing the commercial networks offer vast possibilities for retechnologization of business processes, application of modern methods of sales and servicing the buyers.

But achieving these major important targets for the future of co-operative trade encounters resistance from the human factor. The system's employees do not want to give up their own benefits (of enterprises where they work) in the favor of efficient trading system. So, another major objective, along with the above-mentioned aims, is to transform the mentality of employees from the co-operative system.

Priorities in the development and diversification of services focuses on expanding service units, especially in urban area, modernization of technical-material basis, development, diversification and increase of quality services offered to co-operative members and population.

Actions of developing the procuring-industrialization sector are oriented mainly towards:

- integration of procuring and production enterprises/units in a unique system to assure convenient conditions for collecting-processing-selling of procured agricultural products and finished goods;
- attraction of internal and external investments for the implementation of modern technologies of conditioning, processing, storing of products;
- extending export of procured and processed products (assortment and volume) in Consumer Co-operation.

Efficient functioning and further development of Consumer Co-operation is determined by available resources (material, human, financial, informational), of their quality and valorification.

In the aspect of technical-material resources the efforts need to be guided, on one hand, to extend co-operative infrastructure in areas, where the activities of consumer co-operatives are missing, on the other hand, for modernization of co-operative units in the context of technology and change of image that should meet quality requirements.

In conditions of only partial use of co-operative infrastructure a top objective is its optimization. In this respect, in our opinion, it is needed the assessment of the traditional areas of co-operatives activity, of the economic efficiency, of their perspectives, their competitive advantages and orientation of the co-operative system to those branches, which provide competitiveness on national level and efficiency of their activity. In our view, such branches are trade and rendering services.

Applying of this approach should be followed by the evaluation of using technical- material basis of Consumer Co-operation. In this sense there should be determined the needed infrastructure for the future functioning of perspective branches, the surplus of patrimony to be sold through real estate market and the obtained sources to be reinvested in the development of co-operative's infrastructure. In order to manage efficiently the co-operative heritage we consider useful creating a Real Estate Co-operative Agency, attributing to it sale, management, development of co-operatives technical-material basis functions.

In order to strengthen the financial capacity of the Consumer Co-operatives we consider appropriate to create financial institutions within this system, assigning to them functions to attract investments from various internal and external sources, offering credits to co-operative agents from the system in order to extend working capital and development of technical-material basis.

Organizational-management optimizing, unfolding the integration processes on the dimensions: wholesaling and retailing trade (creating a unique commercial distribution system) and the procuring - processing - storing - conditioning - selling of goods (establishing an integrated system for this purpose), accompanied by the creation of specialized enterprises in this respect would help strengthen the resources and economic potential of Consumer Co-operatives, would assure efficient management of these processes and effective administration of all resources.

In a continuously changing economy the development of informational resources is an important condition for improving business processes and management, rational use of all resources. The main objectives in this context relate to:

- implementation of corporate Co-operative Informational System (CIS), which would integrate into a unique information area all economic agents and all information flows, this will facilitate the implementation of an efficient information management, timely data exchange, the decision making and other processes;

- development of modern forms of trade, based on the application of Information and Communication Technologies, including distance sales, electronic commerce, etc.;
- development of the information-distribution system of Consumer Co-operatives as a basic component of the CIS, accompanied by an adequate logistic system which would assure optimization of distribution costs.

Human resources play the determinative role in the progress of the Consumer Co-operative system. The importance of these resources derives from the fact that namely these put into valorification other resources and assure the success of Consumer Co-operation system. Having its educational system, Consumer Co-operation has all the premises for assuring co-operative enterprises with qualified personnel. Priority actions to be taken in this area aim to:

- continuously increase the skills of staff by attracting them in various professional training programs, self training (every year around 200 people follow different forms of professional development, representing about 3% of employees);
- involve youth in co-operative activities at all levels, "rejuvenation" of staff working in the co-operative system (according to estimations currently around 70% of employees are aged over 50 years);
- implementation of procedures for staff's evaluation and effective mechanisms to motivate them would increase employees' performances and contributions to the development of co-operatives;
- developing partnerships (clusters) between co-operative authorities and educational institutions.

The development of economic activity will enhance to the performances of co-operative system and, respectively, to strengthening its economic-financial system. However, the lack of financial resources remains an important barrier to accelerated development of Consumer Co-operatives in all regions, localities where its benefits are claimed. The complexity of this problem is amplified by the demographic trends in the country, by low income of the population, especially in rural areas.

The need of investments is covered in recent years partially and only from internal resources, but they are lower than demands and needs. Thus, in the last four years the need of investments was covered only at 27%.

Redressing this situation requires new approaches aimed at increasing the motivation and responsibility of economic agents and employees from co-operative system for quality and efficiency of their services. Among these imperative are the:

- establishment of the internal audit and implementation of an effective financial management to ensure a profitable and efficient activity;
- attraction of external financial resources, which becomes possible in the condition of reforming the property relations;

- identification and valorification of internal resources for co-operative's development;
- participation in technical assistance projects and other projects for modern equipping of co-operative enterprises, which would allow implementation of modern technologies and, therefore, efficientisation of economic activities etc.

An important role is attributed to public-private partnership development, strengthening the relations between public authorities (central and local) and consumers co-operatives' enterprises.

Successfully accomplishing its historic mission to provide goods and services to their members, especially to vulnerable groups, the Consumer Co-operatives has become an important partner of the state in fulfilling its social-economic policy.

Offering a wide range of economic activities (trade, procuring, processing, rendering services) mainly in rural areas, the Consumer Co-operative is present in the furthest villages and towns with small number of population (in such localities is placed about 20% of the commercial network). In these areas other economic agents are not interested to unfold business because of the economic inefficiency.

At the same time, co-operative system works legally, transparently, honors its economic and social obligations, contributing to the formation of state's and local budgets (annual contribution is about 90-100 million lei).

To develop and maintain these co-operative services it is necessary to have a support from public authorities at the central and local level that could be achieved, in our opinion, by:

- allocating subsidies for economic activities which are carried out by Consumer Co-operation and are aimed at assuring and improving the living conditions of the population (production and delivery of bread to the population, providing with first necessity products the furthest locations with a small number of population, providing public institutions with domestic agricultural products and livestock, etc.);
- facilitating the conditions for authorization of co-operative enterprises (exemption of placement fee) in areas where the economic activity is unprofitable (due to the small number of served people, difficulties in the supply of goods);
- including the Consumer Co-operatives in various state programs, investment projects, technical assistance and other projects which aim and purpose is the development of rural communities;
- creation and development of joint ventures (with state and Consumer Co-operatives capital), etc.

Efforts of internal mobilization of Consumer Co-operation, supported by public authorities will enhance development opportunities and will increase the socio-economic impact of its activity.

Undoubtedly, in the context of globalization, international co-operation becomes important. The Consumer Co-operation was established as an open system for external partnerships. But the collaboration with this aim, in recent years, was essentially focused on the participation in activities organized by international organizations, where our national co-operation is part of. In our view, the emphasis should be shifted to economic co-operation with foreign partners to exchange goods, particularly with co-operative organizations in the European area, CIS, neighborhood countries. At the same time with this increases the importance of implementing innovative ideas and transfer of good practices by International co-operative organization to co-operative system from Moldova.

Fulfilling the above-mentioned measures will contribute to consistent and sustainable development of Consumer Co-operation, increase of economic efficiency and contribution of co-operative system to sustainable socio-economic development of the country.

### **Conclusions**

The above-mentioned facts allow concluding that during its existence the Consumer Co-operation from Moldova has had periods of decline and ascension, at the moment facing internal as well as external constraints.

Keeping the Consumer Co-operation in the national socio-economic system and the future development of this sector imposes the need for a new innovative model that would respond to the challenges of the modern economy and the internal needs of the co-operative's system. In this sense, in the paper are exposed innovative approaches in the domain of co-operatives' organization (the creation of I<sup>st</sup> and II<sup>nd</sup> degree co-operatives, that would motivate the employees and co-operative members to involve in the co-operatives' development and would enhance the attraction of internal and external investments), as well as suggestions for organizational and managerial optimization of the system, diversification and increasing of the economic activities, strengthening the economic-financial capacities, enhancement of employees' responsibility and motivation for the quality of services, development of partnerships with central and local public authorities, etc. Most of these proposals, that are the result of the last years' researches in the domain, were appreciated by the management of the Consumer Co-operation from the country and were included in the Program for Development of the Consumer Co-operation for 2012-2015, that was approved by the XV<sup>th</sup> Congress of this system. The program's implementation surely will boost the development of the co-operative sector from the republic assigning to it a sustainable character.

It is significant that UN declared 2012 the International Year of Co-operatives, which we believe will become a year of modernization, innovation, diversification, extension of co-operatives' activities in the whole world and in Moldova too.



## Acknowledgements

The publication is fulfilled within the Project “Substantiation of the Trade and Consumer Co-operation modernization from the perspective of their implications in the sustainable socio-economic development and consumer protection” (the code of the project 11.817.08.85A).

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