

## **Pleading for a Good Cooperation between Institutions and Organisations in the Process of Acquiring Sustainable Development.**

### **Case Study on Romanian Agricultural Cooperatives**

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**Abstract:** In a world where the scarce resources are limiting our choices, the importance of institutions as good practices is crucial for a long term development perspective, irrespective of the economic sector where they are applied. In such context, we reiterate the importance of the primary sector in the equation of sustainable development with a particular focus on the existing good practices in Romanian agricultural profile that support sustainability trend in all its hypostases. The purpose of the present paper is to investigate the manner in which the existing institutional framework from Romania, formal and informal, is supporting the activity of agricultural cooperatives, perceived as successful patterns of economic activity, in order to assess the real contribution of Romania's regulations to the process of long term development.

**Key words:** cooperatives; institutions; organizations; agriculture; development

### **1. Introduction**

The purpose of the present paper is to investigate the manner in which the existing institutional framework from Romania is supporting the activity of cooperatives and mainly of agricultural cooperatives, as a sustainable form of economic activity. According to the New Institutional Economics, the interaction between institutions (as rule of the game or good practices) and organizations (as actors of institutional

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change) is essential in designing further economic development. Consequently, in order to assess the real contribution of Romania's institutions to the process long term development there is an incremental need to analyse the normative support provided to such cooperatives. We intend to assess if the present level of cooperation between the existing regulations and Romanian agricultural cooperatives can be considered a representative model to be borrowed by other developing countries that are not members of the European Community. In other words, we aim at offering a pertinent answer to the following question: can *Romania* be perceived as *provider of good practices* in terms of sustainable development via agricultural cooperatives for the neighbour countries such as The Republic of Moldova?

The concept of sustainability and its social, economic, political, environmental dimensions captured the attention at the European level since the launching of the Europe 2020 Strategy. What we intend to highlight in the present paper is the fact that the process of sustainable development of a national economy, wanted and assumed so intensively at the EU level cannot be achieved in the absence of efficient institutions in the sense of good practices able to ensure the necessary support for the organizations as to activate properly in terms of effectiveness, transparency and high productivity.

The main focus on the particular case of agricultural cooperatives is explained into the light of the fact that such institutional arrangements remain an important pattern of economic conduct worthy to be considered a good practice that is suitable for a different approach shaped on the dimensions of sustainability. Even though presently cooperatives are perceived with reluctance in the ex-communist countries like Romania or The Republic of Moldova, because the reminiscences of the ex-Agricultural Cooperatives for Production are still alive, such organizations are offering the proof of viability and their real contribution to a healthy economic growth and development precisely in the heart of capitalist societies. As practice points out, such cooperatives acting in production sectors have followed a tremendous upward trend in the last decades in most Western countries such as the United Kingdom, France, Italy, Denmark (Schweickart, 2018) or the United States of America. The intimate structure of cooperatives, as model of organization of the economic activity, based on strong moral principles of equity, honesty, solidarity and social responsibility, combined with democratic values or economic aspects concerning capital accumulation and the redistribution of revenues, (Roelants and Sanchez Bajo, 2011, pp.101-102) is fully compatible with market economy core

values. After the recent global crisis the G10 countries of the world: the United States of America, Japan, Germany, China, the United Kingdom, France, Italy, Spain, Canada and Brazil demonstrated the significant contribution of cooperatives to their GDP, of approximately 5% or more than 7% in the case of France, Germany and Italy (Roelants and Sanchez Bajo, 2011, p.107). This may be explained into the light of what Doucouliagos at all (2018) and Doucouliagos (1995) have emphasised, according to which cooperatives are characterized by a much stronger profit-sharing effects than the rest of capitalist companies because here the individuals are more motivated to cooperate and gain profit given the fact that they are all co-owners. Furthermore, the trust that exist between its members reduce the level of information asymmetry existing inside of a cooperative, decreasing, thus, transaction costs. So, cooperatives, as economic model of activity is becoming not an avoidable prototype of doing business, but on the contrary, is gaining more and more confidence, being presented as a successful landmark. Such thing made us believe that cooperatives can also prove their effectiveness not only on developed countries, but also in developing countries, such as country like Romania or The Republic of Moldova if they receive the proper support provided by an adequate institutional framework, meaning clear regulations that protects private property, transparency, social equity, and the core principles of a market oriented economic system. The applied case study to the North Eastern region of the country, namely the Dorna area, is a result of the direct contact with the activity of local cooperatives through the work visit made within the bilateral cooperation project entitled „Prospects for the Promotion of Sustainable Development in Romania and the Republic of Moldova through the Operationalization of the Good European Relevant Practices” (DEVEUROMD) coordinated by the „Alexandru Ioan Cuza” University of Iasi. This region is a famous touristic mountain area with a highly increased potential in ecological agricultural production, given its vast pastures, limited pollution and the large numbers of animals held by the native population as source of their own subsistence. The local production is benefitting from a high reputation in terms of the quality of dairy products, ecological food, cereals, honey, but farmers and those who produce these goods on a small scale could benefit in a more productive way of their resources and effort if they would be grouped in local cooperatives with specific economic activities, for instance: cattle breeding, beekeeping, etc. After taking contact and noticing the enormous potential of expanding local production throughout cooperatives, we intended to

analyse the phenomenon, in all its valences but especially the existing institutional support in this respect, provided by central or local authorities in order to fruitfully exploit such regional capacity into the interest of the local community, but also of the entire Romanian consumers and economy.

In order to achieve the purpose of this paper we concentrate our analysis on the following subsequent objectives:

O<sub>1</sub>. Identifying the specific values of the cooperatives, as a model of economic activity, and the major contribution of cooperatives on providing sustainable development, especially for the case of developing countries, like Romania.

O<sub>2</sub>. Assessing the affinity towards cooperatives and mainly agricultural cooperatives in Romania and also the existing institutional support oriented towards promoting them.

O<sub>3</sub>. Proposing a set of therapeutical measures following the successful examples from abroad, in order to intensify the cooperation between institutions and organizations at the national level, with particular focus on the case of agricultural cooperatives. According to the neo-institutionalist theory, organizations are the players, the actors of the institutional change. In our point of view, agricultural cooperatives, as an actor, are worthy of a model of economic activity able to revitalize Romanian agricultural sector and to place it on the road of sustainable development. Such transformation would be possible only if good and effective rules of the game would guide the agricultural activities and promote the credibility of such forms of economic activity among producers as well as consumers.

O<sub>4</sub>. Identifying a potential set of good practices which are suitable for being adopted from Romanian model as to enhance a long term development of the Republic of Moldova.

**The motivation for choosing the research** topic resides, on the one hand, in the need to draw the attention on the main importance of the role and content of the rules of the game and furthermore their interaction with organizations in shaping a positive economic dynamics of a developing country, such as Romania. The world of facts highlighted in the last decades that countries that are guided by good rules are benefitting from the necessary premises in this respect, consequently institutions do matter for development (North, 1990). On the other hand, we intend to place in the centre of analysis the considerable contribution to growth and long term economic development of agriculture, a sector that seems to be neglected in

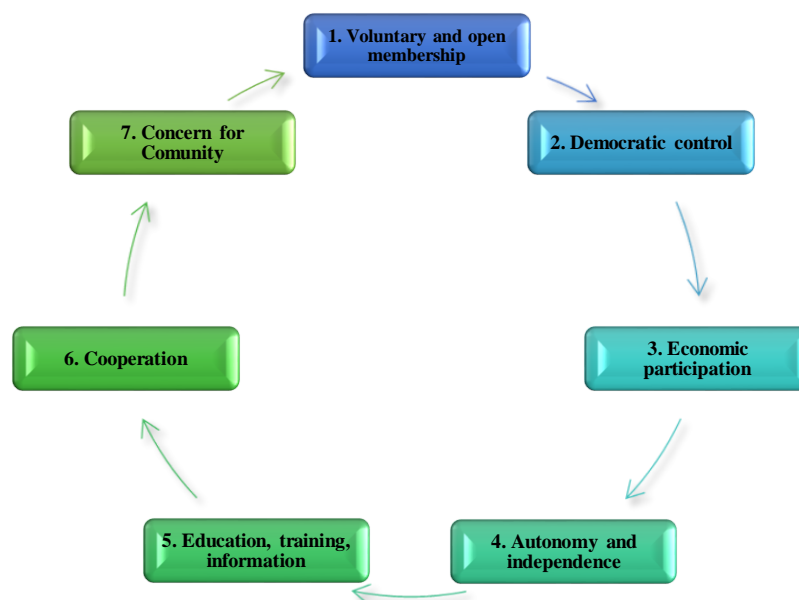
developing economies. As a European Union member for more than 10 years and with an enormous agricultural potential, Romania illustrates a case that raises both: interest and also concern. Within this latter argument we do consider that the institutional arrangement applied to agricultural cooperatives could play a key role in Romania if it would have been properly designed, promoted and supported by effective regulations.

Concerning the **novelty of our endeavour**, it derives from at least *three circumstances*. *First*, we focus on approaching sustainability through the binomial relationship between institutional effectiveness and organizations in Romania, with particular accent of agricultural cooperatives, as a plea for a tighten cooperation in the future as a premise of a long term development. *Second*, the niche provided by the analysis of agricultural cooperatives from Romania is providing specificity to our research, given the fact that such topic was less explored in the national body of literature. Moreover, the experience at Vatra Dornei, a region that is propitious for cooperatives in agriculture but so unexplored, provided us a clear but also an updated feedback or image of the current situation of agricultural cooperatives and mainly of the lack of support coming from the Government or state regulations that cuts the enormous potential of the area in terms of sustainable development. *Third and lastly*, the aim of the paper is to nominate a set of good practices, in the extent in which they exist in Romanian economy, that once transferred at the level of the Moldavian society could generate positive outcomes in terms of sustainable development. The remaining of the paper is presented as follows: the second section provides a brief overview concerning the idea of cooperative, with its innate affinity towards the market economy. Section presents the extent in which the institutional framework from Romania, as an ex-soviet country, is supporting and promoting cooperatives as a pattern of economic activity in order to fruitfully explore national resources and advantages and to generate poles of sustainable development. Section 4 concludes with potential good practices in terms of cooperative that the Republic of Moldova could borrow from Romania.

## **2. Cooperatives – As Model of Economic Activity – A Literature Review**

The simple idea of “cooperative” designs a collective action of individuals that can be applied in multiple areas of activity. It certainly implies a concerted endeavour of its members that are motivated by the achievement of common goals. The historical roots of cooperatives can be traced between the 17<sup>th</sup> and 18<sup>th</sup> centuries in both: the Europe, as well as the United States of America. Continentally, the beginnings of cooperative movement cannot be dissociated by the Rochdale Friendly Co-operative Society built in 1830. Rochdale Pioneers paved the way to a democratic pattern of economic activity that was strongly supported on liberal economic principles consisting in: “open membership, democratic control (one member, one vote), distribution of surplus in proportion to trade, payment of limited interest on capital, political and religious neutrality, cash trading (no credit purchased by members) and promotion of education” (Mayo, 2017, p. 37). The echo of such good practices was perpetuated afterwards in Germany by Reiffesein, in Slovakia by Jurkovic and in many other countries, like: Denmark, Finland, Spain, Italy, Austria, even outside Europe, in countries such as Japan, Brazil, Mexico, etc.

Why cooperatives illustrated a successful model worthy of being imitated and implemented worldwide? We believe that the answer resides in the core values and principles which support and assures their perpetuation in time, values that are specific for free, civilised and market oriented countries where the existing regulations come to complete and strengthen evenmore the innate values of such model of mutual enterprises (Morisson, 1995; Wilhoit, 2005; Deller et all, 2009; Pohoată, 2016). The rapid ascension of cooperative movement around the world found its identity in the International Co-operative Alliance that was founded in 1895 and has the major role of furnishing the core ethics and principles which define the pattern of a cooperative, as presented in Figure 1, below:



**Figure 1. The fundamental values of a cooperative**

Source: *Cooperative Values, International Co-operative Alliance*<sup>1</sup>

As we can see, the nodal landmarks of cooperatives are oriented towards democracy, equality, solidarity, equity and also self-responsibility or self-aid, so they are on the same wavelength with the virtues of the market economy. Because there is a *deliberate will* of individuals *to join* such collective activity and discrimination is not allowed, the areas of applicability of cooperative pattern are vast and abundant. Covering almost every sector, from agriculture, biofuels, arts and crafts, sales and marketing, social and public services (healthcare, education, transportation), utilities or financial services (banks, insurances, farm credit systems) the world of facts has emphasized that cooperatives create wealth and definitely contribute to the decrease of poverty (Deller et al, 2009; Birchall, 2004). The motivation is even higher when precisely the individuals are the one who decide and create their own policies. This *democratic* manner of *controlling* the entire activity of a cooperative makes it suitable for both, developed, but mainly

<sup>1</sup> <https://www.ica.coop/en/whats-co-op/co-operative-identity-values-principles>, accessed on 30<sup>th</sup> of June 2018.

developing countries, where such practices are not that familiar and may create a pattern of good practices in this respect. In fact, latest research in the cooperative movement across the globe highlight their massive contribution to improving the living standards of people from poor countries, given the fact that they bring the poor society into the formal financial system, people benefit of an increased purchasing power, are encouraged to save from their surplus and also to become eligible to other services provided by cooperative credit unions (Birchall, 2004, p. 93).

Concerning the *economic participation principle* of each member to the cooperative this is a prolongation of the democratic control pillar. Every member will contribute equally to the capital of the cooperative and they receive limited compensation back, precisely because they grow the cooperative together and share all it gains. From this perspective, such pattern of economic activity is considered as a healthier and a more predictable one, on the long run, than the normal enterprises because it provides an equilibrium between control and ownership (Roelants, Sanchez Bajo, 2011, p. 87). Additionally, their activity helps at ending hunger, assuring food security and promoting sustainable agriculture, by significantly increasing the productivity of the agricultural sector and, consequently, the incomes of small scale or even family farmers (Schwettmann, 2014, p. 7). A cooperative imposes a kind of self-discipline and a moral dimension, it pays a lot of attention not only to the wellbeing of its members, but also to the environment where they act, to the community where they belong to, contributing, thus, to the increase of local prosperity (Fontaine, 2008). Being independent, autonomous and responsible, based on a concerted action and the will of its members, cooperatives are considered entities with a higher degree of resilience in front of shocks, such as economic or financial crisis and, consequently, more adequate for sustainable economic activities (Roelants, 2009; Roelants, Sanchez Bajo, 2011).

According to Schwettmann (2014) cooperatives have three main inherent contributions for the societies they act in, from an economic, social and political perspective. Firstly, cooperatives “create opportunities for jobs, livelihoods and income”, secondly, “as social organizations built on a common goal and a common bond they extend protection and security, and contribute to equality and social justice” and thirdly, “as democratically controlled associations of individuals they play a constructive role in communities and nations, in society and politics (Schwettmann, 2014, p. 2). Despite all these positive effects, a vast body of



literature relativizes the positive connotations of cooperative as a pattern of economic activity compatible with capitalistic virtues. The French philosopher Charles Fourier considered that capital and the idea of competition are not on the same wavelength with the natural order of a society. Consequently, the reconstruction of society needs a more equitable distribution of wealth and should be done on the basis of some communal associations among producers named “phalanges” (Beecher, 1986). These were, actually, agricultural cooperative that in Fourier’s perspective were more suitable to reshape society according to the human needs by avoiding wastefulness and also the competitive market mechanism (Beecher, 1986). Others go further and transpose the cooperative principles of organizations on the pattern of socialist doctrine. For the most prominent opponents of capitalism, Karl Marx and Friedrich Engels, cooperation was illustrated as a virtuous act in the particular context of the abolishment of capitalism. More specifically, the disappearance of the private property, the major evil of capitalism, and its subsequent consequence, the conflict of the classes, could happen only with the instauration of a new order based on equality, as a supreme social value, and cooperation (Marx and Engels, 1971). Cooperatives illustrate in the view of Marx, the context in which the working class is transformed in “its own capitalists” (Marx, 1959, p. 571). The Marxist ideas became a nodal practice for socialism, the intimate mechanism of social and economic organization transposed in the forced collectivization policy.

Otherwise, Lenin was deeply seduced by the idea of cooperative with precise target – agricultural production. It was presented to the entire society as a solution or mean of protection against human exploitation or resources depletion, in order to convince the individual that such forms of production applied mainly in the agricultural area would deliver equal prosperity for all (San Vicente, 2013). Unfortunately, for the particular case of the Eastern European countries, which have experienced the totalitarian socialism, such utopian improvised model of cooperative, definitely detached from its innate fundamental principles did not work. A successful pattern of productive economic activity once transposed in socialism became an irrational instrument of prosecution and human exploitation. It was so erroneously metamorphosed and implemented under socialism, that the reminiscences of the past are still alive. After more the two decades of transition to the market oriented system the simple idea of cooperative activates in collective

memory of individuals the legacy of the past: centralized planning, oppression, forced labour, exploitation, hunger, poverty.

In our point of view, such erroneous perspective with regard to cooperative must end. Countries must detach from the past experiences and perceive this model of productive economic actions by reporting to its natural shape, the one that was designed in the heart of capitalist countries and, furthermore, in totally accordance with the fundamental principles of freedom and market economy, respectively: equity, morality, free will, responsibility. It is important to remain attached on the right side of the facts because this model of entrepreneurial activity could be of great importance especially for the ex-soviet countries, such as Romania or the Republic of Moldova, where many production sectors, especially agricultural sector, need an incremental refreshing process. For a developing economy abundant in resources (large agricultural lands with fertile soil, many potential employees in the rural area that would work in agricultural activities or that have already small family farms, etc), but highly dependent on foreign investors, the alternative of creating and developing locally cooperatives could be a suitable solution for acquiring a long term sustainable development. Natural resources or sources that confer competitive advantages are more likely to be fruitfully exploited by local individuals in order to maintain the profit and all the benefits inside the country, than being consumed by enterprises from abroad motivated only by the rational logic of profit. In the next section we will concentrate our attention on how cooperatives, a model of economic activity, are perceived in Romania and institutionally supported in order to enhance sustainable development.

### **3. Agricultural Cooperatives in Romania at the Crossroads of Existing Potential and Institutional Support – An Overview**

In the last decades, but mainly after the recent financial crisis that affected the countries all over the world, we may observe an increased attention paid by the International Labour Organization, United Nations, but especially by the European Union to design public policies oriented towards supporting cooperatives as a sort of saving solution for the social problems. But, as we have already pointed out in the previous section, cooperatives, as pattern of economic activity, or, from the New Institutional Economics perspective, the cooperative perceived as an organization, an agent of institutional change (North, 2005), is very sensitive to the institutional background where is it placed and put into practice. Its fundamental

contribution to wealth and development cannot be detached from its native coordinates belonging to the free market system. Once placed in a country that had experienced socialism in the past and followed a reluctant transition towards capitalism, the effectiveness of cooperative definitely fades away. The external institutional background dominated by regulation vulnerabilities, struggles to eradicate corruption, to strengthen the rule of law and free market mechanisms is not only influencing the activity of such as an organization, but furthermore, is able to determine its role – a principal one or, on the contrary, a trivial one - in that society (Defourny and Nyssens, 2012). Their social and economic impact is highly dependent on the political system to which they are circumscribed. Consequently, even though the idea of cooperative is capturing the attention of Romanian society starting with the second part of the 19<sup>th</sup> century under the favourable auspices of peasant emancipation and their new statute as owner of the land, such propitious circumstances did not lasted for too long under socialism. Even so, it is important to bear in mind that, at the beginnings, Romanian intellectuality promoted cooperative movement in agriculture, a nodal pillar of Romania's development, by boosting the standards of living of the working people and also of peasants (Petrescu, 2013).

Unfortunately, under socialism, such pattern of economic activity focused mainly on the agricultural sector, became a facile mean of human exploitation, being implemented on totally opposite principles than the ones which consecrated it: equality, equity, democracy, responsibility, free will. For normal people who lived in socialist times, the so called Agricultural Cooperatives for Production (CAP – in Romanian) meant the abusive and aggressive confiscation of peasants' agricultural land and their unification in agricultural farms placed under the control of the State. Those who didn't wanted to join the collectivization were forced, killed, deported, left without all their properties, so the phenomenon itself was accompanied by humiliation, oppressive and coercive measures, deprivation of individuals private property, in brief, enormous social pain and dissatisfaction.

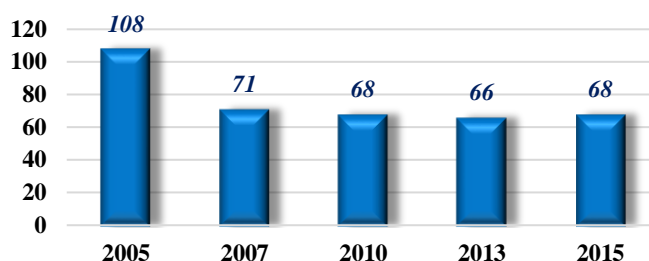
In the years of transition, the consolidation of the free market economy was so reluctant, with imprecise goals and weak reforms than the re-establishment of the private property right was delayed, and agricultural sector was almost completely neglected. Obviously, the functioning of the old cooperative structures did not resist while the prolongation of the cooperative movement under transition was

difficult, given the reminiscences of the past doubled by higher uncertainty and the lack of an institutional framework able to place such model of economic activity on a stable basis. A major disadvantage in terms of the existing institutional support oriented towards regulating the activity of cooperatives, irrespective of their activity, is the fact that after the collapse of socialism, there were not created a common set of measures to regulate this sort of economic activities. Practically, there existed some laws, but with focused application. For instance, the Law no. 66/1990 or Law no. 34/1993 regulated on the *crafts cooperative* and nothing more. Another Law no 109/1996 covered the institutional basis for the settle and regulation for *consumption and credit cooperatives*. All these legislative packages delineated the activity of the above mentioned cooperatives without stipulating precise measures through which the government is supporting their activity. With respect to the agricultural cooperatives, we can observe the total lack of institutional initiative launched in this respect.

Basically, the first law promoted by Romania in order to establish a set of good practices and to regulate the activity of *agricultural cooperatives* appeared after 14 years since the debut of transition, in 2004. The Law no. 566/2004 is the Law which establishes the legal foundation of agricultural cooperatives. One year later, in 2005, appeared a more complete formula under Law no. 1/2005 which provides a more comprehensive legal framework for cooperative movement that is applicable in all economic areas, not only with particular target on agriculture (Institute of Social Economy, 2018).

Concerning the agricultural cooperatives, according to the Law no. 566/2004, at the 13<sup>th</sup> chapter, article no. 76 it is specified the precise measures undertaken by the State in order to help cooperatives from such area of activity, respectively: *the exemption from the agricultural tax in the first 5 years of activity; the access to subsidies and public funds, as well as foreign funds that are specific for the programme of Romania's agricultural support; the exemption from duty payments with regard to the imports of agricultural equipment; the recognition and assimilation of agricultural cooperative as groups of producers, from the Ministry of Agriculture, in order to benefit of all rights provided by the existing legislation in the field* (Law 566/2004, Art. 76).

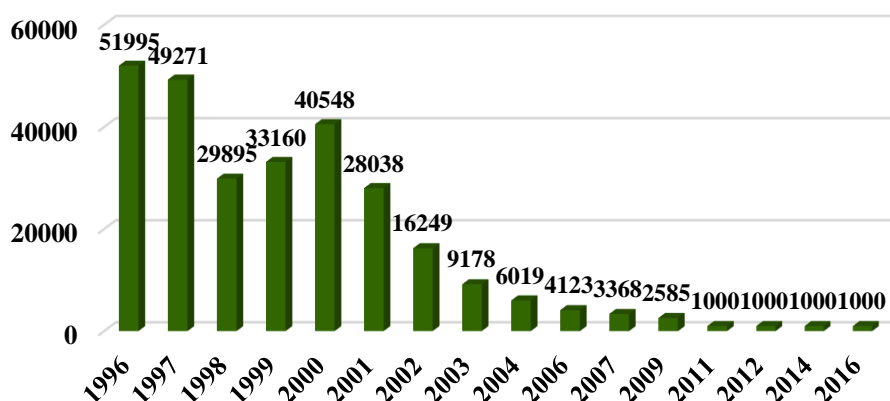
According to the statistical data provided by Romanian Statistical Yearbooks (2006-2017), the transposition of such regulations in practice highlight a decrease of the number of agricultural cooperatives, as emphasised in Figure 2.



**Figure 2. Number of cooperatives 2005-2015**

*Source: Romanian Statistical Yearbooks 2006-2017*

A deeper analysis of Romanian statistical evidence confirms the tendency of disappearance of agricultural cooperatives on the basis of the precarious institutional initiatives oriented towards promoting and supporting this form of economic activity. There is a lack of statistical data related to the activity of agricultural cooperatives in Romanian economy, as well as there is a real problem in their survival on such infertile ground. The direct consequence of a lacunar framework in terms of good rules and practices is the reduction with almost 40% of the number of cooperatives activating in the agricultural sector in a relatively short time span of eight years, from 2005 to 2013 (Romanian Statistical Yearbook, 2017). The situation is becoming even more dramatically when analysing the number of people that work in an agricultural cooperative. According to the Romanian National Institute of Statistics, in the transition period there were more people as members than presently. As Figure 3 below points out, if in 1996 there were almost 52,000 people working in agricultural cooperatives, after 2000 the situation has followed a permanent negative trend, their number decreasing from a year to another. Actually after 2004, when the Law 566/2004 was launched, there should have been an improvement in this respect, but reality highlights a totally opposite evolution, from around 6000 members to less than 1000 in 2016.

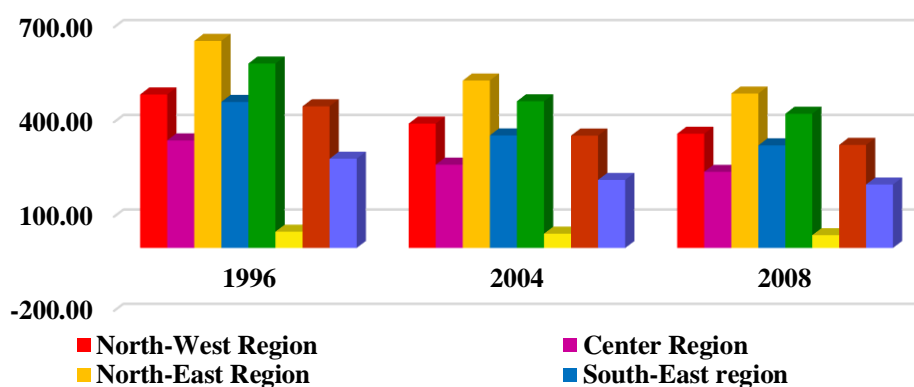


**Figure 3. Number of persons that are member of an agricultural cooperative in Romania (1996-2016)**

*Source: The structure of population after their membership to agricultural cooperatives, The National Institute of Statistics of Romania, tempo online database, 2018.*

The things are even more worrying given Romanian membership to the European Union for more than a decade. Why other countries from the EU have good results in this respect and Romania does not?! What is the lesson that should be drawn from this statistics?! Unfortunately, the overall situation on Romanian agricultural cooperatives emphasizes the lack of stimulus coming from the institutional part, the lack of a national cooperatives programme to provide financial support, concrete procedures of creating and developing such activities. Moreover, there is the fact that people are not motivated to remain in this area of economic activity. This is not because the internal demand is not tempting enough for expanding the agricultural production, but, first of all, because public policies are not sufficiently focused on agriculture as one of the priority sectors for the Romanian economy, and secondly, because the existing regulations and all governmental policies does not provide effective support for the people willing to work in the existing agricultural cooperatives or, furthermore, for those who intend to create new ones. The lack of subsidies, the internal bureaucracy, limited fiscal stimulus, the difficulty in attracting even European funds in agricultural area are aspects which discourage the few practitioners to continue their activity.

Given the fact that we have pointed out the particular attention that we will pay to the North-East region of the country, because of its natural auspicious conditions for the activity of agricultural cooperatives, the limited existing body of statistical data confirm our assumption, as we can observe from Figure 4.



**Figure 4. People working in agricultural sector – the situation on Romania’s macro regions (thousands of people)**

*Source: The number of people working in agriculture, on macro regions, The National Institute of Statistics of Romania, tempo online database, 2018.*

As highlighted above, the North-Eastern part of the country, coloured in yellow, had from the very beginning the largest number of people working in agricultural sector, meaning that the region itself, with its natural resources, geographical position, climate, limited pollution (for the Dorna mountain area, especially) is favourable to agricultural activities. If in 1996 there were almost 700.000 people employed, their number has decreased to around 500.000 in 2004 and below it in 2008. In the absence of more recent data at the national level, but corroborated with the overall trend of people working in agricultural cooperatives, we may draw the conclusion that the situation has not been improved lately.

The Dorna area places in the North-East region of the country has an enormous potential to create and develop locally agricultural cooperatives. Most of the people work in agriculture and preoccupations like breeding and caring for farm animals became a source of living. Being a mountain area region, there is high potential to produce eco agricultural products. Furthermore, given its special touristic attractions, local cooperatives would benefit of an intrinsic demand for such

products obtained locally in the mountain area. Consequently, small farmers that decide to cooperate will become a complementary part of an entire business circle. Unfortunately, the major impediment is the fact that people are still reluctant when dealing with activities that imply the merge of agricultural lands or farms resources in order to boost production (Ardeleanu, 2015). The first step locally was made in 2014 when Bucovina Agricultural Cooperative was started in partnership with a French cooperative, gathering at the moment 12 founding members. The cooperative has almost 6000 ha of agricultural land and there are good perspectives for the future given the fact that the French part of the cooperative intends to buy more than 30.000 tons of cereals from it. This could be a good example for other smaller farmers, producers of milk, cheese, vegetables or beekeeping products to join this cooperative in order to expand their activity and revenues. In order to expand the financial aid for such agricultural initiatives, the Agency for Regional Development of the North-East Region is promoting sources of financing for those who intend to create locally new cooperatives by the Regional Operational 2014-2020 Programme – through Priority Axis 2 – Improving Competitiveness of Small and Medium Enterprises, as well as – Start-ups Call (The Agency for Regional Development – North East Region, 20018). It remains to see in what extent the mix between public policies, fiscal stimulus, the existing body of regulation, as well as the supplementary financial support which can be attracted from European Union funds and development programmes will generate positive outcomes.

#### **4. Instead of Conclusions - What Can Be Borrowed from Romanian Model of Cooperatives?**

Cooperatives, as model of economic activity, were projected from the very beginning on the patterns of freedom, democracy, equity, honesty, self-responsibility, becoming, thus, promoters of capitalism and civilization. Their origins are from countries with tradition in promoting and defending the fundamental values and principles of the market economy and will remain attached by such nodal landmarks despite the erroneous socialist experiment which detached the idea of cooperative from its normal shelter and “prostituted” it after utopian principles of common property, violence, human exploitation, having, practically, nothing in common with the idea of wealth and individual prosperity. In a country like Romania which experienced the most centralized planning from the entire region of Central and Eastern Europe, it is obvious why the simple idea of



cooperative is immediately perceived in its negative connotations and people have the tendency to reject this pattern of economic activity. Unfortunately, the existing body of regulation oriented towards promoting and encouraging cooperatives in Romanian economy is very poor and is lacking of substance. There is no set of public policies, governmental effective support, subsidies, fiscal stimulus, not even a clear strategy at the national and sectorial level when dealing with such issue.

From our point of view Romanian agricultural sector is extremely suitable for the cooperative movement. We will provide a brief summary of the most important reasons motivating why such practice should be effectively implemented emphasising also a sort of therapeutical measures that might help in redressing the situation.

First, Romania has an enormous agricultural potential, with fertile soil, vast lands, proper climate conditions for many products. Let's not forget that Romania was in the past the so called "granary of the Europe". If all its agricultural land would be exploited and cultivated Romania could cover in a proportion of more than 80% its internal consumption. Consequently, its higher dependence on the imports of fruits, vegetables, cereals, etc could be significantly diminished.

Secondly, the mountain area of the country where there is limited pollution is even more suitable for the eco agricultural production, a niche that is highly supported by European Union. For example, the North-East region of the country is one with tradition in terms of agricultural activities. In the Dorna area, for instance, the unification of small farmers in a local cooperative could be very useful as an economic entity capable to attract European funds from which the entire community will gain. Both, the internal, as well as the external demand is very high for eco products, so this economic potential must be fruitfully exploited in the favour of local producers, especially because Dorna is also one of the most visited areas from the North-Eastern part of the country and a part of the products is already consumed in local accommodation units. In fact, in 2014 the Bucovina Cooperative created in partnership with a French cooperative market the beginning of such pattern of economic activity in the area. Undoubtedly, this initiative will open the path towards the adhesion of other small local farmers and will become an a successful example for other similar associations.

Thirdly, there is a legislative openness towards boosting the internal production of the agri-food products under the auspices of the Law no. 321/2009 completed

afterwards by Law 150/2016, according to which the supply of the supermarkets from Romania must be covered in a proportion of a least 51% from local producers. In other words, local entrepreneurs or farmers are motivated now to be more productive when dealing with vegetables, fruits, meat, eggs, been honey, bakery products, milk and cheese products because they can target now the main supermarkets and they can reach more easily the wide market. Given the fact that such condition implies a vast production, the rule itself is creating the needed circumstances in order to intensify cooperative movement inside the country. It is difficult for a single enterprise to satisfy large supply, but obviously more easily when local producers are not competitors anymore, but on the contrary, they cooperate by merging their production facilities, lands, equipment, capital, in order to boost production and raise their profits.

Fourthly, being a member state of the European Union, Romania's territory is divided into regional development macro regions, each region having its own agency for development that is an important hub for facilitating the access to finance, provided through European Funds, of the local small enterprises or farmers. The activity of such agency at the regional level is very important given the fact that they make visible such funding opportunities provided by the EU for local people without many knowledge in this area. Start-ups initiative in local production are very welcome and highly promoted on this channel, consequently, there is one reason more for the local authorities to create and implement locally some public policies and measures as to stimulate and intensify cooperative movement.

Fifth and lastly, we do believe that the one who is responsible for being the trendsetter in terms of general regulation and design of a comprehensive strategy able to encapsulate all these advantages that Romania has presently with respect to agricultural potential or agricultural cooperatives, is the government. From our point of view, all regional achievements have to be circumscribed to a holistic strategy conceived at the national level. Regional or local authorities need an action plan, a methodology to be followed or a set of general public policies able to inspire cooperative movement in all particular areas of activity. Considering the major obstacle that every Romanian entrepreneur is facing with when dealing with the creation of a new enterprise, especially a cooperative in the agricultural sector, is financing. If government or the ministry of resort is not proposing a concrete financing scheme, it would be extremely useful to design a public policy where the state to guarantee the borrowings of farmers and other economic entities from the

banks. This is very important because banking sector is also very reticent in providing credits for such cooperative activities, not only the individuals, when considering their useful activity. Therefore, a good signal coming from banks and government in this respect may determine the necessary change in the way people perceive and understand cooperatives and Romania definitely needs an incremental change in this respect.

Concerning the overall situation from cooperatives activity in Romania, mainly those from the agricultural sector, and if there are good practices that other developing countries, like the Republic of Moldova, for instance, could borrow from us, we would say that yes, there are some. Having the negative example of Romania's passivity in terms of the transposition of external regulation or the creation of its own rules for the cooperative activity, irrespective of its sectorial appliance, the first recommendation is not to wait that much! Moldova is also having a national competitive advantage in the agricultural sector, winery, for example, so this asset is worthy of being fruitfully explored into the benefit of the local community. Moreover, the model of association between small local cooperatives and similar ones from abroad is extremely important, this being another good practice to be taken from Romania's example. These agricultural cooperatives from other countries with tradition in the field will provide the necessary expertise, knowledge, sectorial secrets from the position of partners, which is very important. The exchange of good practices: equipment, production facilities, regulatory system, complementary production in some cases will be very beneficial for the local enterprises and will help them to develop much easier and much earlier than on their own.

From our perspective, the contribution of cooperatives to the living conditions of the population of both: Romania and the Republic of Moldova is extremely important because most of them work in agriculture and their financial potential to develop locally a successful economic activity is very limited. But in order this to happen, there is an incremental need to change, first of all, the attitude of the people towards cooperative movement, and, secondly, to change the manner of approaching this pattern of economic activity of the public authorities. Potential exists, it depends on every country how it decides its future! Through good practices and regulations everything is possible.

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