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Some remarks on the main characteristics of cooperatives – On the occasion of the International Year of Cooperatives 2025

ABSTRACT

Cooperatives, as unique enterprises, are not just about financial gains. They are designed to provide a range of other benefits for their members. International documents also highlight the effectiveness of cooperatives in contributing to sustainable development goals. Recognising the significant role of cooperatives in global social and economic development, the UN General Assembly declared 2025 the International Year of Cooperatives. This article aims to present the regulatory characteristics that underscore the global significance of cooperatives in the 21st century, as recognised by the UN. The analysis examines regulatory examples in international relations, including Hungarian cooperative law.

KEYWORDS: International Year of Cooperatives; international cooperative principles; cooperative regulations; Hungarian cooperative law; unique features

INTRODUCTION

Cooperatives have spread across all sectors of the economy since their founding.¹ According to currently published data, the number of cooperative members is approximately 12% of the world's population or 1 billion people, while about 280 million people worldwide work within a cooperative framework.² The figures suggest that this form is globally popular and is chosen by many. Cooperatives are present in

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¹ The first modern cooperative was founded in England, in Rochdale, in 1844. See for the history of the development of cooperatives, J. Birchall, *The International Co-operative Movement* (Manchester University Press, Manchester and New York, 1997); see also: M. Réti, Über die wirtschaftlichen, gesellschaftlichen und ideologischen Fundamente der ungarischen und einigen internationalen Genossenschaftsregelungen, über die Merkmale und die Bewertung dieser Regelungen, (2010) (51) *Annales Universitatis Scientiarum Budapestinensis De Rolando Eötvös Nominata, Sectio Iuridica*, 281–308.

² See for the data, <https://www.ica.coop/en/cooperatives/facts-and-figures> (last accessed: 31.12.2024.).

the economic sectors of the competitive market and are typically preferred by small and medium-sized market players who carry out their activities by pooling common interests and risks, taking advantage of cooperatives' prosperity to achieve excellent results.³ They also appear in the 'intermediate sector', organised to balance and solve social and employment problems from the last decade of the 20th century.⁴ In the latter sector, cooperatives provide entrepreneurial-, work-, and income-generating opportunities for those who would have a great deal of difficulty or would not be able to get by on their own in the competitive market, or they offer social services to those who need them.⁵

Regardless of whether cooperatives operate in a competitive market or the intermediate sector, and regardless of the sector of the economy in which they operate, they share certain common characteristics. These characteristics collectively make cooperatives distinct from other enterprises, especially commercial companies. Besides the financial advantages for their members, these features enable cooperatives to provide other benefits for their members and to be versatile enterprises; moreover, to fulfil a diverse role for both members and society in general.

These are the positive characteristics of cooperatives that lead to global benefits and achievements in many contexts. In accordance with this, the UN General Assembly declared 2025 the 'International Year of Cooperatives',⁶ recognising the contribution of cooperatives to social and economic development around the world.⁷ By declaring the International Year of Cooperatives, the UN aims to promote cooperatives worldwide, raise awareness of the contribution of cooperatives to achieving the Sustainable Development Goals⁸ and encourage governments to support cooperatives.

³ The turnover of the TOP 300 cooperatives was 2,409,41 billion USD in 2023. For the data see fn 2.

⁴ This intermediate sector is also called the 'social economy sector' in economic literature. The term was published by the French economist Charles Dunoyer in his work 'Essay on Social Economy' in 1830. See, A. A. Grigore, Social Economy Entities: A Worldwide Overview, (2013) 6 (2) *Review of Applied Socio-Economic Research*, 111–120. According to the concept of the social economy, the market economy is divided into three sectors, one of which is the social economy sector. The overall objective of the social economy sector is to strengthen social cohesion, for example, by creating jobs and bringing together those who are disadvantaged and on the periphery of society.

⁵ Nowadays, these cooperatives appear as an independent type in the cooperative law of many countries. See for the role of cooperatives in the social economy, social and employment policy, K. Bak and M. Réti, Die Rolle der Genossenschaften in der Sozial- und Beschäftigungspolitik, die Tendenz der internationalen und der ungarischen genossenschaftlichen Rechtsgebung [A szövetkezetek szociál-/foglalkoztatáspolitikában betöltött szerepéről, a nemzetközi és a magyar szövetkezeti jogalkotás irányairól], (2013) (115) *Agrár- és Környezetjog*, 5–38.; see also: Réti M., A szövetkezetről, mint a szociális gazdaság legmeghatározóbb tényezőiről, in Bobvos P. (szerk.), *Reformator iuris cooperandi, Tanulmányok Veres József 80. születésnapja tiszteletére*, (Pólay Elemér Alapítvány, Szeged, 2009).

⁶ UN General Assembly A/RES/78/175.

⁷ It is worth noting that the UN had previously designated the year 2012 the International Year of Cooperatives, which was proclaimed by the UN General Assembly in Resolution A/RES/64/136.

⁸ See, <https://sdgs.un.org/goals> (last accessed: 31.12.2024.).

An important precedent for the proclamation of the International Year of Cooperatives is that the UN General Assembly, in the Resolution *Transforming our World: The 2030 Agenda for Sustainable Development* adopted in September 2015⁹ (hereinafter: Agenda), designates 17 global goals as ‘*Sustainable Development Goals*,’¹⁰ recognises the role of private sector enterprises in achieving these goals, and refers to the cooperative form independently. In connection with the provisions of the Agenda, the International Cooperative Alliance (hereinafter: ICA) and the International Labour Organization (hereinafter: ILO) jointly published a document entitled *Cooperatives and the Sustainable Development Goals*,¹¹ which deals with the specific role of cooperatives in achieving the Sustainable Development Goals, associating examples of cooperatives with each goal. The joint document of the ICA and ILO, for example, highlights the role of agricultural cooperatives in the fight against poverty, mentioning specific examples from Tanzania, Egypt, and Ethiopia.¹² It also highlights the undeniable importance of agricultural cooperatives in ensuring food security. The document also states that cooperatives facilitate access to quality education through financial support and by establishing schools within the African region. Additionally, cooperatives contribute to ensuring lifelong learning opportunities. Health cooperatives play a valuable role in many countries, including Japan, Canada, the United States, and Nepal. Energy cooperatives should also be highlighted, which are organised to provide renewable energy, for example, in the United States, England and Germany. The document also emphasises the importance of cooperatives in the field of employment, using examples.¹³ *The ICA-ILO document clearly and distinctly highlights that the cooperative form effectively contributes to achieving the Sustainable Development Goals.*

The aim of this article is to highlight the regulatory characteristics that determine the operation of cooperatives, which, in synergy with one another, establish their significance in 21st-century global processes, as recognised by the UN.

⁹ UN General Assembly A/RES/70/1.

¹⁰ Concerning the implementation of the goals, the Agenda contains a global action plan for the period 2015–2030.

¹¹ ILO and ICA, *Cooperatives and the Sustainable Development Goals: A Contribution to the Post-2015 Development Debate*, (2014), the document is available online: <https://sustainabledevelopment.un.org/index.php?page=view&type=400&nr=1247&menu=1515> (last accessed: 31.12.2024.).

¹² According to the document, approximately four million farmers in Egypt derive their income from selling agricultural products through agricultural marketing cooperatives. See ILO and ICA, *Cooperatives and the Sustainable Development Goals*, 6.

¹³ See ILO and ICA, *Cooperatives and the Sustainable Development Goals*, 6–12.

I. INTERNATIONAL GUIDELINES FOR THE INTERNATIONAL HARMONISATION OF COOPERATIVE REGULATIONS

The first characteristic to highlight is that cooperatives share a common feature worldwide. *Namely, a system of guidelines developed by a non-governmental international organisation, the ICA, as 'soft law' affects their regulation and operation.* The ICA,¹⁴ which represents cooperatives internationally, carries out international legal unification activities to harmonise cooperative regulations and practices globally. The aim of this activity is to ensure that the characteristics that give rise to the cooperative form are reflected in current cooperative regulations and practices and that cooperatives operate based on legal regulations that truly give effect to their specific economic and social content. The organisation also aims to promote the idea that cooperatives can adapt to current social and economic challenges while preserving their unique features.

In the guideline, the organisation has developed a definition and international cooperative principles,¹⁵ as well as defined cooperative values.¹⁶ There are currently seven international cooperative principles in force: Principle 1, *'Voluntary and Open Membership'*, Principle 2, *'Democratic Member Control'*, Principle 3, *'Member Economic Participation'*, Principle 4, *'Autonomy and Independence'*, Principle 5, *'Education, Training, Information'*, Principle 6, *'Cooperation between Cooperatives'*, and Principle 7, *'Concern for Community'*.¹⁷

One of the important results of the ICA's legal unification activity is that legal systems consider the ICA's concept of the cooperative as a model and the content of the international cooperative principles as regulatory criteria for guaranteeing compliance. When developing cooperative regulations, both the concept and the content of the principles are typically taken into account by the legislator. The strong impact of the organisation's legal unification activities is demonstrated, for example, in Portugal. In *Portugal*, the Cooperative Code (Lei no. 119/2015, de 31 de Agosto,

¹⁴ The ICA has consultative status with the United Nations Economic and Social Council (ECOSOC) and general consultative status with the ILO. See <https://unsse.org/about/observers/international-co-operative-alliance-ica/> (last accessed: 31.12.2024.). See also ILO and ICA, *Memorandum of Understanding between the International Labor Organization*, (Geneva, 24 June 2019) Article 6, paragraph 1. The document is available online: https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---coop/documents/genericdocument/wcms_711530.pdf (last accessed: 31.12.2024.). The ICA has also been in partnership with the Food and Agriculture Organization of the United Nations since 2018. See <https://www.fao.org/partnerships/civil-society/news/news-article/es/c/1414725/> (last accessed: 31.12.2024.).

¹⁵ The international cooperative principles have been published by the ICA since the 1930s.

¹⁶ The cooperative values are the following: self-help, self-responsibility, democracy, equality, equity, solidarity, honesty, openness, social responsibility and caring for others. See ICA, *Statement on the Cooperative Identity*, (September 22, 1995).

¹⁷ The current international cooperative principles were published by the ICA in the following document: *Statement on the Cooperative Identity* (September 22, 1995).

Code Cooperativo) that entered into force in 2015 outlines the cooperative principles under the title '*Principios cooperativos*' by listing and defining them.¹⁸ With this regulatory solution, the Portuguese legislator ensures the enforcement of the provisions of the ICA guidelines. In addition to Portugal, a similar regulatory approach may be observed in Serbian cooperative regulation. Article 4 of the *Serbian Cooperative Act*¹⁹ lists the cooperative values and principles, along with their meanings. In Hungary, since the amendment of Act X of 2006 on Cooperatives in 2023, the Preamble to the *Hungarian Cooperative Act* has listed the international cooperative principles, indicating that these principles are enforced by cooperatives during their operation.²⁰ Outside Europe, the regulation on cooperatives of Canada, which has a significant cooperative tradition, is worth mentioning in this regard. The *Canadian Cooperative Act*, like the Hungarian regulatory approach, refers to the principles in the Preamble. The Canadian Cooperative Act does not list the principles but stipulates that cooperatives conduct their business activities based on internationally recognised cooperative principles.²¹ The *Spanish Cooperative Act* implements a slightly different regulatory solution, as it defines cooperative principles as conceptual elements in the following way: cooperatives operate in accordance with the principles defined by the International Cooperative Alliance.²² The *Catalan Cooperative Act* emphasises the importance of the principles even more strongly than the Spanish Cooperative Act since it states²³ that the principles shall be incorporated into the regulation and applied as criteria in the interpretation of the law.²⁴

¹⁸ For the characteristics of Portuguese cooperative regulation, see, R. Namorado, Chapter 29. Portugal, in D. Cracogna, A. Fici, and H. Henry (eds), *International Handbook of Cooperative Law*, (Springer Verlag, Berlin and Heidelberg, 2013) 635–652.

¹⁹ Serbian Cooperative Act No. 112/2015 of 30 December 2015, available online in English: <https://www.apr.gov.rs/upload/Portals/3/Zakoni/LAW%20ON%20COOPERATIVES%2008042016%20II.pdf> (last accessed: 31.12.2024.).

²⁰ Amended by Act XXXIV of 2023, Article 2 (2 July 2023).

²¹ Canada Cooperatives Act Preamble, available online: <https://laws-lois.justice.gc.ca/PDF/C-1.7.pdf> (last accessed: 31.12.2024.).

²² Spanish Cooperative Law: Ley 27/1999, de 16 de julio, de Cooperativas Article 1, Section 1.

²³ Catalan Cooperative Law: Ley 12/2015, de 9 de julio, de cooperativas Article 1, Section 2.

²⁴ For an analysis of Spanish regulations, see: Cooperatives Europe, *Legal Framework Analysis National Report: Spain*, (ICA-EU Partnership, 2022), in particular, 5. available online: https://coops4dev.coop/sites/default/files/2021-06/Spain%20Legal%20Framework%20Analysis%20Report_0.pdf (last accessed: 31.12.2024.).

II. ON THE COMPLEX OBJECTIVES OF THE COOPERATIVE

The aim of the cooperative organisation, as defined by the ICA, is to provide exemplary expression of those characteristics of a cooperative that embody the essence of the cooperative, as we have already mentioned. The related definition is as follows: *'A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.'*²⁵ Among the definitional elements, we consider the multiple objectives of the cooperative to be noteworthy, which are its *'differentia specifica'*. The cooperative always operates for the benefit of its members and provides them with versatile advantages, including economic benefits as well as social, cultural and natural ones. The multifaceted nature of cooperatives is highlighted by several analysts, including Professor Domé Mária.²⁶ *The complex objective system is one of the characteristics of the cooperative that makes it suitable for contributing to social and economic development in general and to the achievement of the Sustainable Development Goals set by the UN.*

In connection with the concept developed by the ICA, it is worth mentioning that the ILO²⁷ relies on this concept in its Recommendation No. 193 on the *Promotion of Cooperatives*, which also defines the concept of a cooperative, reflecting its complex goals.²⁸ One of the significant aspects of the Recommendation is that in 2002, the organisation made specific proposals for governments to support and strengthen cooperatives, thereby supporting the balancing of certain economic and social problems in countries by leveraging the advantages derived from the cooperative form.²⁹

The complex goal, as a conceptual element, also appears in the definition of cooperatives in several legal systems. In the *Hungarian* context, where the basic rules governing cooperatives, including the definition of cooperatives, are outlined in Act V

²⁵ See ICA, *Statement on the Cooperative Identity*.

²⁶ See Domé M., A szövetkezetek jogi szabályozásának múltja, jelene és jövője, in *Tanulmányok Veres József egyetemi tanár 70. születésnapjára*, (Szeged, 1999) 79–92.

²⁷ In view of the outstanding importance of cooperatives in job creation, the ILO adopted the above-mentioned Recommendation on 3 June 2002. See <http://www.ilo.org/> (last accessed: 31.12.2024.).

²⁸ The definition is the following: "2. For the purposes of this Recommendation, the term 'cooperative' means an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise." See, ILO: *Recommendation 193 – Promotion of Cooperatives*, available online at: 2002., https://normlex.ilo.org/dyn/nrmlx_en/f?p=NORMLEXPUB:12010:0::NO: (last accessed: 31.12.2024.).

²⁹ The content of the Recommendation is analysed by: Bak, K. and Réti, M., Áttekintő elemzés az aktuális nemzetközi tendenciákról, (2015) (1) *Szövetkezés*, 150–164. From a Hungarian perspective, it is important that the Hungarian Parliament adopted No. 193. ILO Recommendation with its resolution 128/2003. (XI. 26.).

of 2013 on the Civil Code (hereinafter referred to as the Civil Code),³⁰ the Civil Code defines the complex objective system as a key characteristic of cooperatives. According to the latter definition, a cooperative is a legal entity that carries out activities aimed at satisfying the economic and social needs of its members.³¹ In Slovakia, the rules for the establishment and operation of a cooperative are laid down in the Commercial Act. According to the *Slovak* Commercial Act,³² a cooperative is a community that undertakes activities aimed at satisfying the economic, social, and other needs of its entrepreneurs or members. In Germany, where the legal relations of a cooperative have been regulated by a sui generis act since the end of the 19th century, the *German* Cooperative Act³³ states that the purpose of a cooperative is to support the economic, social or cultural needs of its members through a joint enterprise. In this regard, it is important to point out that the definition was modified in the context of a large-scale revision of the German Cooperative Act in 2006. With the overall novel amendment³⁴ that entered into force on 18 August 2006, the cultural objective of the cooperative was introduced. The German legislator wanted to emphasise the role of the cooperative in promoting cultural progress for its members in addition to its economic and social objectives. According to the *Portuguese* Cooperative Act, cooperatives also aim to meet the economic, social or cultural needs of their members and to achieve their aspirations.³⁵ The *Spanish* Cooperative Act states that a cooperative carries out business activities to satisfy the economic and social needs and aspirations of its members. In terms of the European context,³⁶ it is also important to mention Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a *European Cooperative Society* (SCE) (hereinafter: Council Regulation). Its Preamble, in Point 10, explicitly emphasises that the objective of an SCE is complex – namely, as follows: *‘A European cooperative society (hereinafter referred to as “SCE”) should have as its principal object the satisfaction of its members’ needs and/or the development of their economic and/or social activities...’*³⁷

³⁰ It is worth highlighting that in addition to the Civil Code, Act X of 2006 on Cooperatives also sets out general rules governing cooperatives, and the act also defines special rules for certain types of cooperatives.

³¹ Hungarian Civil Code 3:325. § (1).

³² Slovak Commercial Act [Obchodný (513/1991)] Section 221(1).

³³ German Cooperative Act: Gesetz betreffend die Erwerbs- und Wirtschaftsgenossenschaften §1.

³⁴ The German Cooperative Act was extensively revised with this amendment after a long time; the previous general revision was in 1973. See, Lang and Weidmüller, *Genossenschaftsgesetz, Kommentar* (De Gruyter Recht, Berlin, 2006) 7.

³⁵ Portuguese Cooperative Law: Lei N.º 119/2015, de 31 de Agosto, Article 2(1).

³⁶ Spanish Cooperative Law: Ley 27/1999, de 16 de julio, de Cooperativas Article 1 Section 1.

³⁷ See for a detailed analysis of the provisions of the Council Regulation, Réti M., *Az Európai Szövetkezet (SCE) Statútumáról szóló tanácsi rendeletben foglalt általános jellemvonásokról és egyes előírásokról, figyelemmel a szövetkezetekről szóló 2006. évi X. törvényre, (2007) (1) Európai Jog, 33–42.*

III. ON THE DECISION-MAKING MECHANISM: ON VOTING RIGHTS INDEPENDENT OF THE SIZE OF FINANCIAL CONTRIBUTION

A key feature of a cooperative is also closely tied to its decision-making mechanism. In the case of a cooperative, the voting rights of members are independent of the size of their financial contribution. This feature is reflected in the principle of *Democratic Member Control*. The principle establishes the proposition that ‘one member, one vote’ applies in cooperatives.³⁸ The reason is that member’s activities within the cooperative, personal contribution, and use of the cooperative’s services outweigh any financial contribution. *So, one of the essential manifestations of democratic operation in a cooperative is that the opinion of every member is taken into account equally during decision-making, with one vote.* In this context, it is worth referring to the point of view of Gyula Tellér, a Hungarian sociologist. He strikingly illustrates the operational essence of cooperatives. According to him, *the observance of the principle ‘one member – one vote’ ...ensured that equality related not to capital, but to persons prevailed in decision-making...*³⁹ In a general sense, the principle expresses that cooperatives operate democratically through self-management, and the role of membership is fundamental to the cooperative’s operation, as members participate in management, control, and, of course, decision-making. However, it should also be pointed out that, according to the relevant declaration of the ICA, the principle of ‘one member, one vote’ characterises primary cooperatives – i.e., those cooperatives that exclusively include natural persons or natural and legal persons and are not, for example, considered to be cooperatives founded by cooperatives. The principle of one member, one vote is still included in the acts of many legal systems regarding cooperatives. Specifically, the guidelines of the ICA are followed, for example, in Norwegian cooperative law regarding voting rights. The *Norwegian Cooperative Act* [Lov om samvirkeforetak (samvirkelova)] establishes the principle of one member, one vote, as the primary rule in decision-making.⁴⁰ In *Hungarian* cooperative law, according to

³⁸ It is worth drawing attention to the fact that the principle of ‘one member, one vote’ has determined the operation of cooperatives from the very beginning. The statutes of the first cooperative in the modern sense, the so-called Rochdale cooperative (founded in 1844), after its amendment in 1845, provided that each member in the cooperative should have only one vote. See Kuncz Ö., *A Rochdale-i elvek és a szövetkezet jogi fogalmának körülírása*, in *Küzdelem a gazdasági jogért II. kötet, Dr. Kuncz Ödön Összegyűjtött kisebb dolgozatai*, (Királyi Magyar Egyetemi Nyomda, Budapest, 1941) 425.

³⁹ See Tellér Gy., *Megjegyzés a szövetkezetről*, (2015) (1) *Szövetkezés*, 13.

⁴⁰ Article 38, Norwegian Cooperative Act. It is worth noting that the Norwegian Cooperative Act lays down special rules for secondary cooperatives and allows for derogation from the one-member-one-vote principle. According to Article 4(2) of the Norwegian Cooperative Act, a secondary cooperative is one that is exclusively owned by cooperative members or in which cooperatives have a controlling influence.

Section 3:337 (1) of the Civil Code, the principle of one member, one vote in cooperatives is enforced and of a mandatory nature. In Europe, for example, the Czech and Serbian regulations are also similar to the Hungarian regulatory approach. According to Section 631 of the *Czech Cooperative Act*,⁴¹ each member of the cooperative has one vote when voting in the governing body of the cooperative. The *Serbian Cooperative Act* establishes the principle of equality of voting rights among members in Article 33, specifically stating that each member has one vote in the text of the act.⁴² Outside Europe, the *Canadian Cooperative Act* provides in Article 7 that each member or representative in the cooperative has one vote.⁴³

In accordance with the cooperative decision-making mechanism, it is essential to consider an additional regulatory solution that has been established and is enforced in the cooperative laws of certain legal systems. This is the institution of multiple voting rights. Multiple voting rights basically means that cooperative members whose personal contribution to the cooperative is exceptionally large may be granted more than one vote in cooperative decision-making. So, it is not the member's financial contribution that is of decisive importance, but rather their personal contribution. This regulatory solution appears, for example, in the *German Cooperative Act*.⁴⁴ In German law, multiple voting rights are limited. Namely, the act defines a numerical and proportional limit regarding voting rights. Another valuable example of the regulation of multiple voting rights may be found in the Council Regulation.⁴⁵ However, in the case of multiple voting rights, the principle of one member, one vote also prevails as the governing decision-making rule. Still, there is an opportunity to diverge from this.

IV. ON THE MAIN PROPERTY-RIGHTS CHARACTERISTICS

Among the special characteristics of the property relations of a cooperative that are recorded in the principle '*Member Economic Participation*', several should be emphasised. One of them is that cooperative members make a financial contribution upon foundation and entry as a condition for establishing their membership. However, the personal contribution of the members is of decisive importance in a cooperative. This view is reinforced by the ICA in its Guidance Notes, which interpret the international cooperative principles. According to the Guidance Notes, the criterion

⁴¹ See the Czech Cooperative Act, <https://www.zakonyprolidi.cz/cs/2012-90> (last accessed: 31.12.2024.).

⁴² See the Serbian Cooperative Act, <https://www.apr.gov.rs/upload/Portals/3/Zakoni/LAW%20ON%20COOPERATIVES%2008042016%20II.pdf> (last accessed: 31.12.2024.).

⁴³ See Canada Cooperatives Act Preamble, <https://laws-lois.justice.gc.ca/PDF/C-1.7.pdf> (last accessed: 31.12.2024.).

⁴⁴ German Cooperative Act, Section 43(3).

⁴⁵ Council Regulation Article 59.

that must prevail is that the required financial contribution shall be affordable for those who need the cooperative's services. The amount of financial contribution should not be an obstacle or hindrance to establishing cooperative membership. The *Hungarian* regulation harmonises with the provisions of the guidelines. According to the Hungarian Civil Code, a member's obligation towards the cooperative is to make a personal contribution; however, it also states the necessity of making a financial contribution without specifying a limit.⁴⁶

The principle of 'Member Economic Participation' also entails that if the cooperative is profitable, it is worth distributing the profit, taking several aspects into account. On the one hand, dividends may be paid from it, namely in the form of a limited dividend. It is important to state that the payment of dividends is not mandatory according to the position of the ICA. Regarding the remaining part of the profit, the principle sets out further alternative proposals. Considering that cooperatives operate for the benefit of their members, cooperative development goals are mentioned first by the ICA, for example, establishing a reserve fund.⁴⁷ In terms of reserve formation, the cooperative laws of many European countries follow the recommendations of the ICA. To ensure the long-term sustainability of operations, cover potential losses, and overcome challenging economic periods, the formation of reserves is recommended. An example of this is the *Serbian* cooperative law, which, under the title of a 'cooperative fund', ensures that a separate asset is available to the cooperative for investment purposes and to increase operating capital.⁴⁸ In addition to establishing the cooperative fund, a reserve fund may also be created, with the primary purpose of covering the cooperative's potential losses.⁴⁹ In *Hungarian* law, the possibility of forming a fund is also provided, but its purpose is to support cooperative members and their relatives.⁵⁰ This is the so-called Community Fund.

Profits may also be distributed in proportion to the member's personal contribution; members may benefit in proportion to their transactions. In cooperative law literature, the principle of this special distribution is known as the principle of '*distribution of the surplus as dividend on purchases*'. This special property law principle has been applied to cooperatives since the beginning.⁵¹ In practice, cooperative members primarily benefit from the after-tax profit to the extent that they utilise the cooperative's services or contribute to its operations. In European and non-European

⁴⁶ Hungarian Civil Code Section 3:325, paragraph (1).

⁴⁷ See ICA, *Statement on the Cooperative Identity*.

⁴⁸ Serbian Cooperative Act Article 58.

⁴⁹ Serbian Cooperative Act Article 58.

⁵⁰ Hungarian Civil Code 3:334. §.

⁵¹ For the operational characteristics of the cooperative, see, Kuncz Ö., A szövetkezeti visszatérítés problémája jogi szempontból (1940), in *Küzdelem a gazdasági jogért, II. kötet*, (Királyi Magyar Egyetemi Nyomda, Budapest, 1941) 465–471.; Domé, A szövetkezetek jogi szabályozásának múltja, jelene és jövője, 79–92.

cooperative regulations, the principle of refund is fundamental. The *Hungarian Civil Code* contains a mandatory provision stating that if the members of the cooperative decide to divide the profit, half of this shall be distributed among the members in proportion to their personal contributions.⁵² The *Council Regulation* also declares the principle of refund in proportion to personal contributions.⁵³

V. ON THE PRINCIPLE OF EDUCATION, TRAINING AND INFORMATION

The principle of ‘Education, Training and Information’ expresses that the continuous training, education and information of cooperative members should be among the fundamental tasks of the cooperative. In relation to the context of this issue, it is essential to highlight the report *Cooperatives and Employment: A Global Report*⁵⁴ published by the International Organization of Industrial and Service Cooperatives (hereinafter: CICOPA), which defines the stable role and sustainable operation of cooperatives, especially worker cooperatives, social cooperatives and other types of cooperatives that promote employment. The analysis emphasises that these cooperative types play a key role by assisting their members with education and training.⁵⁵ In connection with this, it is essential to note that cooperatives, in general, often provide financial support to their members, enabling them to pursue training and education opportunities. In Hungarian law, for example, in the case of school cooperatives and cooperatives for people with small children, the Cooperative Act specifies the educational objective in terms of the special cooperative fund, the community fund.⁵⁶

VI. ON COOPERATION BETWEEN COOPERATIVES

‘*Cooperation between cooperatives*’ is particularly significant. The ICA’s guidelines propose cooperation between cooperatives as follows: “Cooperatives serve their members most effectively and strengthen the cooperative movement through local, national, regional, *and international cooperation*.” It clearly seems that cooperation

⁵² Hungarian Civil Code 3:356. § (2).

⁵³ Council Regulation Article 66: “The statutes may provide for the payment of a dividend to members in proportion to their business with the SCE, or the services they have performed for it.”

⁵⁴ B. Roelants, E. Hyungsik and E. Terrasi, *Cooperatives and Employment: A Global Report*, (CICOPA, 2014), https://www.cicopa.coop/wp-content/uploads/2018/03/cooperatives_and_employment_a_global_report_en_web_21-10_1pag.pdf (last accessed: 31.12.2024.).

⁵⁵ The report also notes democratic decision-making in the cooperative and the horizontal integration of cooperatives as additional important features.

⁵⁶ Hungarian Cooperative Act, Section 13/B and Section 42.

between cooperatives helps them to operate more efficiently. Cooperatives may be more economically efficient by joining forces, achieving greater cost-effectiveness due to the advantages of economies of scale. Because of the effects of globalisation and digitalisation, this kind of cooperative practice manifested in collaboration and cooperation is of international significance in relation to market competition.⁵⁷ The regulatory imprint of the principle is already visible in the cooperative law of many legal systems. Cooperative regulations specifically mention the possibility of establishing secondary cooperatives or higher-level cooperatives resulting from the cooperation of cooperatives, and some legal systems have already introduced special provisions regarding the cooperative form of cooperatives. For example, the Norwegian Cooperative Act lays down special rules for secondary cooperatives related to the establishment and termination of cooperative membership, voting rules and property law, compared to the general rules.⁵⁸ The Portuguese Cooperative Code also contains special provisions in certain regulatory areas regarding so-called higher-level cooperatives.⁵⁹ In Hungarian law, Section 2 of the Cooperative Act outlines the concept of secondary cooperatives; however, no additional special provisions have been established regarding secondary cooperatives established exclusively by cooperatives.

VII. CONCERN FOR COMMUNITY

The principle of ‘*Concern for Community*’ states that ‘*the members of cooperatives work to maintain the continuous and lasting development of their community based on principles accepted by them*’. Although the principle was officially declared in 1995 as a cooperative principle, its fundamental content was prevalent in the practice of cooperatives from the outset.⁶⁰ As we have already pointed out in the context of the starting points, since the official declaration of the international cooperative principle, the view that cooperatives serve as a tool for promoting global sustainable development in addition to local development has been strengthened. This view is supported by the joint document of the ICA and the ILO, as previously mentioned. It is also worth mentioning that the Guidance Notes, which contain detailed guidance on the current

⁵⁷ See ICA, *Guidance Notes to the Co-operative Principles* (2015) 74–82, especially 74–76, available online at: <https://ica.coop/sites/default/files/2021-11/ICA%20Guidance%20Notes%20EN.pdf> (last accessed: 31.12.2024.)

⁵⁸ See Norwegian Cooperatives Act, Articles 14, 20, 33, 38, 135.

⁵⁹ An example of the special rules concerning secondary cooperatives is the minimum number of members in a secondary cooperative. According to the Portuguese Cooperative Code, the general rule is three persons, but in the case of higher-level cooperatives, it is fewer: two persons [Article 11(1) Portuguese Cooperative Code].

⁶⁰ It is worth noting that the principle ‘concern for community’ also appeared in the 1966 list of principles of the ICA, but not as an independent principle, but as part of the principle ‘Cooperation between cooperatives’.

meaning of the international cooperative principles, also highlight the connections between the principle of '*Concern for Community*' and the concept of sustainable development. The Guidance Notes explore in detail how cooperatives may contribute to promoting social, economic and environmental sustainability.⁶¹ Cooperatives are well-suited to implementing the principle of '*Concern for Community*' due to their complex goals and diverse activities, which aim to benefit their members. Due to their goals and diverse activities, cooperatives have proven to be a suitable form for addressing and possibly solving global and local problems since the mid-19th century, thereby helping achieve the goals associated with the realisation of sustainable development locally or globally. According to the social role of cooperatives, the ICA itself stated in its message for International Cooperative Day in 1998⁶² that cooperatives perform many tasks that are not only economic in nature. Their social and environmental impact also goes beyond the scope of economic activity.⁶³

CLOSING REMARKS

The analysis clearly shows that cooperatives are unique enterprises with features that make them well-suited to provide diverse benefits for their members and the broader society. Their common global regulatory and operational guidelines, complex goals, the democratic operating mechanism of 'one member, one vote', special property law characteristics, and their relevance in education and sustainability establish the contribution of cooperatives to the Sustainable Development Goals of the UN. Cooperatives are expressly valuable enterprises, and through their activity and role, they have earned the accolade of 2025 being designated the International Year of Cooperatives.

⁶¹ See ICA, *Guidance Notes to the Co-operative Principles*, 86–87.

⁶² Cooperatives celebrate International Cooperative Day every year worldwide, specifically on the first Saturday of July, a tradition that began in 1923. On the mentioned day, the annual message of the ICA to cooperatives and the cooperative community is announced.

⁶³ Message of the ICA for the 76th International Cooperative Day (4 July 1998): A szövetségek és a gazdaság globalizációja, (1998) 19 (2) *Szövetkezés*, 25.