



LEGAL COOPERATIVE FRAMEWORK ANALYSIS

Within the ICA-EU Partnership

NATIONAL REPORT FOR THE DOMINICAN REPUBLIC

I. Introduction

This report was produced within the investigation of the Legal Cooperative Framework Analysis initiated by the International Cooperative Alliance (ICA) and its regional offices. The investigation is carried out in the framework of an alliance signed between the European Union and ICA for the 2016-2020 period, the main goal is to strengthen the cooperative movement and its ability to promote the international development.

The legal framework analysis tries to improve the knowledge and evaluation of the cooperative law, with the goal of ensuring that legal regulations recognize the specificities of the cooperative model and the equality of conditions in the comparison with other forms of association. In the same way this analysis will be useful to the members of ICA as material to their defense and recommendations on the creation or improvement of legal frameworks, to document the implementation of laws and cooperation policies, and monitor its development.

In line with the established goals of the ICA-EU Project this report aims to provide a general knowledge of the Dominican Republic cooperative law and an evaluation of the degree of its ability to favor cooperatives development. In the same way, recommendations for the improvement of the law have been formulated to overcome some difficulties that cooperatives are currently facing.

The document has been prepared by Jorge Eligio Méndez, Lawyer specialized in Cooperative Law, author of several books on cooperative legislation, Professor at the National University Pedro Henríquez Ureña (UNPHU), of the Pontifical Catholic University Mother and Teacher (PUCMM), of the Institute of Cooperative Training (INFCOOP), former Alternate Member of the Central Electoral Board, current Alternate Judge of the Superior Electoral Tribunal. For the preparation of this document, the contributions made by national cooperative organizations affiliated to Cooperatives of the Americas have been taken into consideration.

The inputs from the expert and from the Dominican Republic member organizations of Cooperatives of the Americas were recollected through a questionnaire prepared by the International Cooperative Alliance and its regional offices. The questionnaire was sent in its





entirety to all members in the Dominican Republic and they could decide whether to answer or not.

II. National Cooperative Legislation of the Dominican Republic

i. General Context

There are two special laws in effect that fundamentally represent the legal-cooperative nature: Organic Law No. 31-63 of October 25, 1963 and Law No. 127-64 of January 27, 1964.

a) Organic Law No. 31-63 was created by the Institute for Cooperative Development and Credit (IDECOOP, for its acronym in Spanish) as an autonomous corporation of the Dominican State with legal personality, with its own and independent assets and unlimited duration, conceived with the purpose of encouraging and promoting the development of the cooperative system. The law also enables the organization and operation of all kinds of cooperative societies without any exclusion, especially between workers and laborers so that there is true distributive justice. It takes advantage of the country's human and economic resources, promotes equity in the distribution of economic income among the population, citizen freedom to work toward social and economic responsibility to raise the level of quality of life, and facilitates cooperative education for the active and democratic participation of citizens.

The functions and authority of IDECOOP are provided in Organic Law No. 31-63; the most highlighted include promoting, advising, educating and coordinating the work of the cooperative movement; as well as providing technical and financial assistance needed in accordance with established standards; formulating accounting systems, standards and schemes for the internal administration of cooperative societies; disseminating 1st principles and practices of the Cooperative; and in general, addressing everything related to public education in this cooperative matter, placing special interest in 1st principles and values of the cooperative movement from primary education (eighth course of basic education or second course of midlevel education) and in the third level of midlevel education (sixth course of midlevel education) through what was instituted in Law No. 28-63 of October 23, 1963, which declares the teaching of the cooperative movement as mandatory.

The Board of Directors is made up of 11 Members, composed of the Administrative President of IDECOOP, who presides over it, with a predominant vote in the event of a tie; the Minister of Agriculture or its representative; Administrator of the Agricultural Bank; the Minister of Education; the Director-General of the Agricultural Institute; the Director-General of the Community Development Office; and five representatives of the Cooperative Movement





proposed by the National Council of Cooperatives (CONACOOOP, for its acronym in Spanish) in coordination with the federations or associations of cooperatives; requiring incompatibility between relatives up to third degree of consanguinity and second degree of affinity.

It is important to emphasize that the process of supervising and auditing cooperatives is carried out by IDECOOP, where Law No. 155-17 of June 1, 2017 about ML/TF Prevention, in article 2 ordinal 17, defines it as a Body and/or Supervisory Entity of cooperatives as a Bound Party.

It should be noted that within the General Provisions of Law No. 31-63 it states that no IDECOOP activity can be considered "Banking Management", nor should any provision governing commercial banks be applied. This particularization is brought up by its authority to facilitate credit bonds and stimulate the creation of an organic system of cooperative associations as a means of social improvement and democratic governance.

b) Law No. 127-64 of January 27, 1964 is a general norm of national enforcement that regulates Cooperative Associations. Savings and Credit Cooperatives are subject under the spectrum of the same Law and are not regulated or supervised by the Monetary or Financial Authority, at the moment there is no order of priority between the different kinds of cooperatives. Everything not contemplated is governed in a supplementary manner by "common law". The Civil Code nor the Commercial Code nor any other adjacent procedural legislation provides specific provisions for Cooperatives.

There are "legal loopholes" that constitute imponderable gaps regarding the nature of cooperatives. The National Judicial College (ENJ, for its acronym in Spanish) has held training sessions for judges to disseminate the scope of competence and legal nature of the Cooperatives and their nomenclature before the Trade and Tax Laws; as the activities carried out by the Cooperatives are subject to "special laws"; although in practice Cooperatives that offer certain services to third parties are withholding agents before the Directorate-General for Internal Revenue (DGII, for its acronym in Spanish) or if they offer products, goods or services specific to areas of their competence, such as insurance, they adopt simultaneous regulation by the Cooperatives Law and the Insurance Law; as is the case with other service cooperatives. In all these cases, both regimes converge on cooperatives, with the consequent conflicts that usually arise.

The Monetary and Financial Code considers that Savings and Credit Cooperatives are non-shareholder institutions unlike banking institutions that practice financial intermediation; excluding cooperatives because they only conduct operations or transactions with their members, not with third parties because they are not affiliated.





The Law establishes the typological classification of Cooperatives, establishing a minimum amount of capital contribution and number of partners required in the case of Consumer Cooperatives, as well as Agricultural, Production and Consumption, Housing, Savings and Credit, Insurance, State Participation, Youth, Public Services, Health, and Educational Cooperatives.

The purpose of the Law is to maintain and enforce the Universal Principles of Rochadle's Taxonomy; an obsolete legal text that leads cooperatives to uphold, in everyday life, the Cooperative Principles of the Declaration on Cooperative Identity adopted by the ICA in 1995; which are fully incorporated into the Cooperative Code Draft of the Dominican Republic which, as of October 2019, rests on the National Congress with a favorable report from the Industry and Commerce Committee of the Chamber of Representatives.

ii. Specific Elements of the Cooperative Law

a) Definition and Objectives of Cooperatives

Cooperatives are “non-profit natural and legal persons societies”; no other legal or regulatory provision offers another definition of the concept of “Cooperative”.

Regarding Cooperative Principles, the Implemented Regulation No 623-86, prior to the ICA Declaration on Cooperative Identity, states that Cooperatives, according to their typology, have a minimum limit on the number of members and Share Capital only for their constitution and start of their operations;" in addition “their main purpose is not the propaganda of political ideas, thus appealing to “political neutrality”, religion or race, imposing conditions for admission of “open membership” with which it welcomes the Open and Voluntary Partnership Principle.

As for the Democratic Control of the members, a single vote is "granted to each member, regardless of the number of their contributions or social quotas"; admitting in the Federations and Confederations as higher-level bodies establishing in their Social Statute that the vote is proportional to the number of members, to the volume of operations with the number of their matrix or a combination of both systems.

On the economic participation of members, only a 5% limited yearly interest may be paid for contributions or social quotas, if authorized by the Social Statute; considering surpluses are distributed in proportion to the operations carried out or the work performed by the partners. Reserves are not distributable, even in the event of dissolution.



There is no express mention of the Principle of Autonomy and Independence of Cooperatives, but their recognition arises from the definition of Cooperative and political party neutrality.

In the area of education, training and information, Cooperatives promote the constant cooperative education paid mainly by cooperative members themselves, who will be called to guide and conduct it in accordance with their objectives and ideals and 5% of the annual surplus must be destined toward cooperative education; excluding Housing Cooperatives in which each registered partner will pay RD\$2.00 per year for their education process.

The "Principle of Cooperation between Cooperatives" refers to "Integration between Cooperatives", meaning that "every cooperative is obligated to create the atmosphere of collaboration necessary so that only the cooperative movement develops. Competition is considered contrary to the spirit of the cooperative movement." In regard to the Principle of Concern for the Community, the Law and its Regulation do not contain express provisions, but it can be concluded that it is derived from its general content.

The norm provides for specific characteristics assigned to Cooperatives in Dominican Cooperative Law, related to variable capital, the unlimited and indefinite duration of Cooperatives; and the limited liability of the partners.

The objective of the Cooperatives depends on their typology and the services they are authorized to provide to their partners. This objective is implemented through the operations that the members carry out with the Cooperative and which the law calls "Cooperative act". The partners may carry out operations with the Cooperative voluntarily, unless the Social Statute has established a special requirement. "Cooperative Organizations shall not carry out activities different from the ones that are legally authorized and will not be authorized to engage in related activities".

Cooperatives should only provide services to its members; and when they offer services to third parties (consumption, insurance, gas, labor, housing, etc.) they must report tax withholdings to the Directorate-General for Internal Revenue (DGII), which, in this regard, has issued norms that determine a different treatment. The benefits or surpluses arising from the provision of services to non-partners are not individualized in the Cooperatives, they are recorded as other income generated, unless the cooperative has particularly created special reserves that cannot be distributed; however if these revenues increase surpluses, they can be distributed among its partners in proportion to their contributions or quotas.

Cooperatives may decide upon the distribution of surpluses produced during their Ordinary Assembly only in favor of their partners, regardless of whether the surpluses come from transactions with non-partners, as is the case with Insurance Cooperatives, propane gas, etc.





Surpluses arising from work or business transactions carried out by Cooperatives with non-member third parties, for sales of goods, products or services, are part of the gross surplus, from which legal, statutory or regulatory reserves are extracted; forming the net surpluses that are subject to distribution or distributed among the partners in proportion to the amount and time basis of the contributions the member made at the closing of each fiscal year. In this regard, there is no legal or regulatory provision to the contrary.

b) Establishment, Cooperative Membership and Government

Cooperatives are constituted by a Decree of Incorporation issued by the Executive Branch, after having previously exhausted a series of procedures. There is a Pre-foundational Stage that stipulates the primary stage of promotion prior education, written summons for information and participation in pre-constituent meetings that promote efforts towards constitution and where the leaders responsible assume the guiding role towards the ability for social and human coexistence as well as teamwork.

The Constitutive General Assembly is guided by the Provisional Management Committee, which presents and submits the Agenda for approval, it requires a minimum quorum of 15 members. The Constitution of Cooperatives is made by Constitutive General Assembly held by the interested parties, where expressly, after discussion, the Social Statute that will govern the Cooperative is approved and in accordance with the statutory mandate the members of the governing bodies are elected. There are requirements stated in the Constitutive Act, such as the minimum number of members which can never be less than fifteen; if there is a case of reduction of members, this can lead to dissolution. Once the Constitutive General Assembly with the required legal and regulatory quorum is held, the Social Statute of the Cooperative is expressly approved, the authorities of the administrative and control bodies are elected, the Constitutive Act signed by all constituents duly certified by the Secretariat of the General Constitutive Assembly or the Board of Directors is established and the Founding Associates Payroll is determined. The following step is to register these acts, free of tax, with the Document Registration Office of the Municipal Council where the Cooperative has established its main registered office. The final documentation is processed by the Secretary of the Board of Directors of the Cooperative to the Legal Consultancy of the Executive Branch through IDECOOP.

The Law extensively establishes the open-door principle, since natural and legal persons who meet the requirements established by the Social Statute may be members, which may vary depending on the type of Cooperative. Legal persons may be members of Cooperatives if they do not pursue for profit objectives and if their purposes maintain an affinity with the



Cooperative Movement. Natural, or legal persons who intend to serve as lucrative intermediaries between consumers and producers in the phase of the distribution of goods and services within the economic process may not constitute Cooperatives. Any income from new members must be resolved by the Board of Directors, subject to conditions derived from the social purpose. Membership is voluntary subject to "Principle of Open Membership". Only members are permitted to use the services of the Cooperatives and if they are not members of the institutions they are required to join under the common conditions in order to be users of services; however, third parties who purchase products, goods or services are subject to comply with the relevant legal and tax obligations.

The composition of the structure of management, administration and control of cooperatives by collegiate bodies such as the General Assembly as the supreme authority, the Board of Directors, the Supervisory Board and the Credit Committee is mandatory. The composition and functions of these groups are expressly regulated in the Law on Cooperative Associations. Granting advantages and privileges to managing members of the Supervisory Board, Credit Committee or Special Labor Commissions is prohibited and cannot be remunerated; with the exception of tax-free payment of emoluments for transportation, food and lodging when carrying out activities on behalf of the Cooperatives; this is approved by the Board of Directors.

All central organs must be composed exclusively of partners. Cooperatives with more than a thousand members may be organized by Cooperative Districts; and, as stipulated by the Social Statute, may do without the Credit Committee to be directly appointed by the Board of Directors. In the Cooperative by District, the vote by proxy of its elected representatives in the District or Sectional Partner Assembly will be valid. That vote by proxy is valid in confederations and federations.

The General Assembly is the highest governing body of the Cooperative that is constituted with the registration of 2/5 parts of the active members at the first hour of the summons and 20% of the members at the second hour, without the need for a new summons, constituting a quorum. It must be convened ten days in advance by the Presidency of the Board of Directors. In any case, only one vote applies per person or Delegate. It meets ordinarily once a year to discuss the Annual Report, Financial Statements and the Balance Sheet for the financial year. They will also elect members of the Board of Directors, the Supervisory Board and the Members of the Credit Committee when statutorily appropriate; the Credit Committee is mandatory for cooperative societies who by their nature grant credit to their partners as a loan or an advance, be it money, materials, equipment or merchandise; and the issues included in the summons. The General Assembly may also have extraordinary meetings at any time to deal with other matters under the initiative of the administrative and auditing





bodies or a number of partners. Decisions made by the Assembly must be complied with by all members and are binding for all bodies but may be challenged judicially if they are contrary to the law, the Regulation or the Social Statute.

The Board of Directors is the executive body with permanent administrative functions of the General Assembly in the time when the General Assembly does not meet, in accordance with the Law; its members are elected by secret ballot during the time established by the Social Statute for a number of no less than five and with a structure of President, Vice President, Treasurer, Secretary, Members and Alternates. Agreements must be adopted by a simple majority of votes and with the authority to take measures that do not oppose the law and its Regulation. The Board of Directors may appoint an Executive Committee made up by the President, the Treasurer and the Secretary, with specific functions, norms of operation and internal regulations to manage and implement resolutions from the Board of Directors. Its members must be partners elected by the General Assembly.

The Supervisory Board is the internal surveillance and auditing body. It has veto power before the Board of Directors, although the veto does not suspend the execution of said decisions, being able to execute its decision under its own liability. The members of the Supervisory Board are members elected by the General Assembly in odd numbers of no more than five, with a structure of President, Secretary, Members and Alternates.

The Credit Committee is the body intended to grant credit or loans to its partners. The members of the Credit Committee are elected by the General Assembly; except in the case of Cooperatives from Cooperative Districts where their election depends on that which is established in the Social Statute.

c) Cooperative Financial Structure and Taxes

Cooperative Share Capital is integrated with nominative and indivisible contributions from members of equal value and only transferable under the conditions determined by the Social Statute and by Resolution agreed by the Board of Directors; donations; and percentages of yields intended for its growth. The production of goods and the provision of services is only possible with the investment of the partners, without speculation criteria that goes against the principles and values of the cooperative movement, in terms of pursuing common purposes and non-profit purposes. To establish a cooperative, a minimum capital is required according to its typology.

Contributions from associates may be in cash, goods, rights or work, which will be represented by indivisible nominative certificates of equal value as determined by the Social Statute and only transferable when authorized by the Board of Directors. No work carried





out by promoters, managers or technicians for the organization of the Cooperative or the work carried out by Directors of the different bodies shall be considered as hired or valued as contributions. Each Certificate of Contribution or share part of capital fully paid and not withdrawn before the close of the fiscal year accrues a maximum of a 5% annual interest payable from the surpluses of the Cooperative determined according to the balance sheet upon the closing of the financial year. The Statute of the Cooperative establishes the contribution of share capital per partner, the time period for its payment and the operational conditions related to the certificates of contribution linked from their origin in favor of the Cooperative from the obligations that the members have contracted with said Cooperative.

All members are responsible for the Cooperative's debts and commitments up to the amount of their contributions. No creditor can claim against the private assets of the partners to answer for cooperative debts, unless they have been legally, judicially or contractually linked by guaranteeing specific goods for a certain debt with the Cooperative.

The distribution of surpluses in cooperatives is carried out in proportion to the amount of the partner's contribution certificates at an annual interest not exceeding 5%. The General Assembly is responsible for "the allocation of returns, including setting interest on capital." No Cooperative shall carry out the distribution of cash surpluses during its first five years of operations, being entirely destined toward the increase of cooperative capital. It is important to note that, in addition to interest on capital, return on operations is paid, as determined by the Board of Directors.

Income tax is paid by the associate, not the Cooperatives that only serve as a withholding agent in favor of the DGII. Law No. 127-64 and its Regulation recognize the exemption and exoneration from taxes, fees and contributions for legally constituted and well-functioning cooperatives, anticipating that acts relating to the constitution, registration authorization of cooperative companies, of Federations and the National Confederation shall be exempt from all taxes. This protection extends to special franchises, exoneration from customs and consular import taxes for equipment, machinery, materials and goods imported directly or through third parties, cooperative societies, Federations and the National Confederation, for the use of the association itself in the attainment of its objectives and purposes or objects imported for use and consumption of the Confederation, cooperatives and Federations; these exemptions may not benefit third parties and the Cooperative that misuses any of the privileges granted to it by the State, and in the case of any misuse they will be subject to the application of the penalties imposed by the laws. It is important to highlight Decree No. 00409-2014 issued on July 30th, 2014 by the Third Chamber (Liquidator) of the Higher Administrative Court, which is already national jurisprudence, in which the exempting nature of taxes, fees and contributions of the cooperative act is legitimized.





With regard to property tax, it is conceived that the increase in the social assets of cooperatives, operational capital, whatever its nature, origin or denomination; as well as the surpluses and contributions from the partners are exempt from income tax (ISR, for its acronym in Spanish); although the DGII has just issued a Resolution in 2019, making the payment of each partner's surpluses enforceable.

Cooperatives operate under a special law, thus they are exempt from paying the 1% annual tax rate on assets of any nature and kind; although there are cases of cooperatives that have acquired fixed real estate assets for which the Directorate-General for Internal Revenue (DGII) has demanded payment for securities transfers.

Heirs under succession status or donations pay the State a fee on the net worth indicated by law; as well as for passive rate benefits for fixed-term certificate deposits, the DGII deducts taxes from members; which is similar when issuing checks in favor of members for services, for granting loans and payments through wire transfers; an 18% tax is paid on the Transfer of Industrialized Goods and Services (ITBIS, for its acronym in Spanish), it is important to infer that the financial, social, cultural and solidarity services offered by cooperatives are exempt from payment of ITBIS, in accordance with the Tax Code; situation in violation of Article 61 of Law No. 127-64 which exempts from all taxes, fees and contributions of cooperative acts.

In practice, the Directorate-General for Internal Revenue seeks to establish tax controls, requiring the adjustment of its procedure in the requirement that any Cooperative that claims to be exempt from any tax invoke its claim for each duly documented individual event, which has created a spirit of difficulty, overwhelmed by the excessive bureaucracy of the administrative procedure.

There are taxes with fees and local taxes at the municipal level such as service fees, constraining Law No. 127-64 which places exemptions for cooperatives, with some municipalities presenting dichotomous action which makes applicability of cooperative norm difficult in matters of taxation within its field. Examples: Registry of deeds and contracts, mortgage registrations, Conditional Sales of Property, etc.

d) Other Specific Characteristics

The promotion of the cooperative movement and the supervision of cooperatives lies directly with IDECOOP; intervening on a transitional basis when “irregularities that jeopardise the economic and social stability of the Cooperative are verified”, or the Federation or



Confederation; verifying violations and irregularities involving the application of the sanctions provided by Law No.127-64.

With regard to the Liquidation and Dissolution of the Cooperative, Law No.127-64 gives authority to the General Assembly to produce the dissolution of its Cooperative. Finally, the Board of Directors of IDECOOP informs the Executive branch of the liquidation of a Cooperative and issues the Decree to cancel its incorporation.

Any decision made by the Board of Directors of IDECOOP may be subject to an Appeal of Reconsideration before said body. Once the primary phase has been exhausted, a Hierarchical Appeal can be initiated before the Executive Branch; with constitutional protection through the effective protection of rights and due process of law to bring legal proceedings before the Higher Administrative Court against sanctioning decisions from IDECOOP.

III. Degree of Ease of National Legislation for Cooperatives

This chapter takes into account the views of four of the Dominican cooperative organizations which are Members of the ICA. In general, these views coincide with each other and with those of the author.

In the face of significant qualitative and quantitative development, what is observed by the number of institutions that make up the Dominican cooperative system, by the number of members that make up the cooperatives, those that contribute with the socio-economic impulse of the country; is that the perspective is to produce a wave of reforms that structure a regulatory framework that looks to further strengthen the efficacy and integral and sustained development of Cooperatives.

The tax platform contained in the Tax Code, special laws and Supplementary Applicable Norms issued by the DGII are not in harmony with Law No. 127-64 or Law No. 31-63 governing IDECOOP; because tax laws do not recognize the nature of cooperatives and tend to treat cooperatives in a similar way as lucrative enterprises. This happens both nationally and in the Municipal Councils.

The Dominican Constitution of June 15, 2015 mentions cooperatives, but in practice there is a dichotomy due to the obstacles and difficulties created by the Monetary and Financial Authority that does not recognize the solidarity and economic and social promotional nature of Cooperatives by submitting them under the cloak of a regime of control and supervision of a different body as said institutions of the social economy; which contradicts statements of assertiveness of the central government that allegedly support, incentivize and promote the birth of new cooperatives through so-called "Surprise Visits".



There are no provisions that favor cooperatives in the field of public procurement or access to the real estate trust market to provide housing for its members or access to trade with electronic means of payment.

Organic Law No. 31-63 of October 25, 1963 (dictated 56 years ago) and Law No. 127-64 of January 27, 1964 (in force 55 years ago) remain stuck, anachronistic and outdated by their antiquity and do not meet the expectations of sustainable development that the Dominican cooperative movement has experienced in the last decade. Thus, there is a proposal for a comprehensive reform through a Dominican Cooperative Code that seeks the modernization and implementation of techniques and specialties that improve the role and quality of the regulatory body of cooperatives; appreciating that the institutions that make up the Dominican Cooperative Sector contribute to the socio-economic development of the country, the increase in the quality of life and the democratic participation of people in society, seeking to structure a legal framework that continues to strengthen the integral and sustained development of cooperatives and the Dominican society.

Additionally, neither the Civil Code nor the Civil Procedure Code nor the Commercial Code recognize cooperatives as subjects of law that differ from companies and associations. A similar situation occurs with the Civil Code, Civil Procedure Code and Commercial Code drafts that currently reside in the National Congress.

The Central Bank's critical actions detract from explicit legal recognition for cooperatives, jeopardising their reputation and activities; taking into consideration that Cooperatives cannot be developed on an equal footing with other companies.

Administrative procedures for the legal recognition and approval of Cooperative Statutes are extremely extensive and traumatic.

There are conflicts between cooperative legislation and consumer protection legislation that is intended to apply to the relationship between the cooperative and its members as if it were exclusively a provider-consumer relationship of interests rather than an associative relationship. It is unknown that the member is owner of the cooperative and participates in its management in addition to using its services. This forced application of the consumer protection legislation leads to the consideration of the cooperative as a common commercial enterprise and the partner as a foreign third party, rather than considering it a true consumer advocacy organisation.

There is conflict between cooperative legislation and the norms of administrative law in regard to public services. There is often confusion between cooperative legislation and labor law that assimilates the relationship of the worker cooperative and its members to a dependent employment contract.



There are clashes with comptroller bodies of monetary and financial activities such as the Central Bank and the authority that enforces Cooperative Law, due to ignorance of the particular nature of cooperatives. On the other hand, the Central Bank is reluctant to accept the participation of cooperatives in financial activities.

There is a general coincidence of recognition of the growth of cooperatives, despite their antiquated legislation. However, despite applicable laws, regulations and norms, there are nuances that seek to provide cooperatives with a modern legal framework that contributes to the comprehensive strengthening of cooperative societies.

IV. Recommendations for the Improvement of the National Legal Framework

a) The adoption of a new legal framework designated as the Cooperative Code of the Dominican Republic that seeks to strengthen Cooperative Values and Principles and the Cooperative Identity as a model for transparent processes which through SUPERCOOP can assist the areas of Supervision and Regulation of Cooperatives to consolidate a better execution of their activities, financial services and meet the objectives of their social responsibility.

b) Recognition of the cooperative act as the axis for the treatment of cooperatives in fiscal matters.

c) Ensure a tax regime that preserves the legal nature of cooperatives as private entities of social interest for the State; with a change in the paradigmatic model that involves the practice of political will with a vision of sustained development and oriented towards the full appreciation of human beings; without this implying the Cooperatives' compliance scheme as Bound Party of the ML/TF Prevention Act or as withholding agents before the Tax Administration.

V. Conclusions.

After an intensive review of the substantive and adjective structure of Dominican Cooperative Law and taking into account the International Values and Principles of the Cooperative Movement derived from the Cooperative Identity formulated by ICA, we allow ourselves as a means of reflection to draw the following conclusions:

a) Identify in the founding legal hermeneutics of the Cooperative Conforming Law the most appropriate simplified norm as a guarantee of efficacy, efficiency and factorial productivity in order to define the characteristics of the cooperative act and categorize its foundation.



b) Harmonize under the scope of Cooperative Law, the cooperative constitutional framework to express legal policies within the State to dilute latent threats arising from the Amendment Proposal of Monetary and Financial Law No. 183-02 and the harassment from the Monetary and Financial Authority that encourage measures that put some of the existing cooperatives at risk of disappearing because they are not in a position to bear such financial impact.

c) The process of regulation and supervision is driven by the cooperative sector itself as a mechanism to contribute to the strengthening and consolidation of the national cooperative movement, but with true legal instruments that answer in their technical, formative and informative essence with a concrete sustained and integral development of the cooperative movement; but that the regulatory and supervisory body be specialized within the cooperative context, not by the monetary and financial authority that aspires to set bank-like measures on cooperatives.

Prioritizing the development of strong institutional policies of cooperatives is of vital importance to strengthen governance which is only achieved with a joint effort from the entities that interact with cooperatives to standardize an updated and sustainable cooperative legal framework in its applicability.

Dominican Republic. October, 2019.

Jorge Eligio Méndez.