



LEGAL FRAMEWORK ANALYSIS

NATIONAL REPORT: RUSSIA

ICA-EU PARTNERSHIP



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I. Introduction

The research falls within the scope of the knowledge-building activities undertaken within the partnership for international development signed in 2016 between the European Commission and the International Cooperative Alliance (ICA), which aims to strengthen the cooperative movement and its capacity to promote international development worldwide. It demonstrates that the absence of a supportive legal framework for cooperatives, or the presence of a weak or inadequate legal framework, can negatively impact cooperatives and their evolution. In contrast, the existence of supportive regulations can foster cooperatives' creation and strengthening, acting as a driver of sustainable development. For this reason, further knowledge and evaluation of cooperative legislation will become a tool for ICA members, cooperators worldwide, and other key stakeholders such as policymakers and cooperative legal scholars. With greater knowledge and access to a global, country-based legal framework analysis, ICA members can advance their advocacy and recommendations on the creation or improvement of legal frameworks, document the implementation of cooperative legislation and policies, and monitor their evolution.

The main objectives of the legal framework analysis are to:

- provide general knowledge of the national cooperative legislation and of its main characteristics and contents, with particular regard to those aspects of regulation regarding the identity of cooperatives and its distinction from other types of business organisations, notably the for-profit shareholder corporation (the *sociedad anónima lucrativa* in Spanish; the *société anonyme à but lucratif* in French).
- to evaluate whether the national legislation in place supports or hampers the development of cooperatives, and is therefore “cooperative friendly” or not, and the degree to which it may be considered so, also in comparison to the legislation in force in other countries of the ICA region (or at the supranational level).
- to provide recommendations for eventual renewal of the legal frameworks in place in order to understand what changes in the current legislation would be necessary to improve its degree of “cooperative friendliness”, which is to say, to make the legislation more favourable to cooperatives, also in consideration of their specific identity.

This report presents the main results of the research to examine and analyse cooperative law in Russia, its general context and main elements, including how adequate it may be for cooperatives. Finally, conclusions and recommendations for the improvement of the legal framework are considered.

The report is written by Victoria Kutko, who is an assistant professor at the Belgorod University of Cooperation, Economics of Law, where she teaches cooperative law. Victoria is author of a number of articles on the problems of cooperation and the functioning of cooperatives in Russia. For the preparation of the current report, support and input was provided by staff from Cooperatives Europe and the ICA.

i. General Context

In the Russian Federation, cooperatives and their activities are not regulated in a special way. There is no general law for all types of cooperatives in Russian legislation. In the Civil Code of the Russian Federation, cooperatives are classified as legal entities and are subdivided into commercial (production cooperatives) and non-commercial (consumer cooperatives) organisations.

The Constitution of the Russian Federation enshrines general principles of economic activity, as well as freedom to choose a profession, and forms of ownership:

- 1) everyone has the right to freely use their abilities and property for entrepreneurial and other economic activities not prohibited by law (Article 34);
- 2) everyone has the right to own property, possess, use and dispose of assets, either individually or jointly (Article 35);
- 3) citizens and their associations have the right to possess land as private property. Possession, use and disposal of land and other natural resources are carried out by their owners freely, providing this does not harm the environment and does not violate the rights and legitimate interests of other people (Article 36);
- 4) everyone has the right to freely dispose of their abilities for work, to choose their type of activity and profession (Article 37).

In the Russian Federation, there are special laws governing the activities of certain types of cooperatives. The cooperatives' activities are regulated by the following laws:

1. **Production cooperatives** (which are commercial organisations). Their activities are regulated by the Federal Law on Production Cooperatives of May 08, 1996, No. 41-FL (as amended on 31.07.2020). Agricultural production cooperatives are also included in this group.¹
2. **Consumer cooperatives** (which are non-commercial organisations). Their activities are regulated by the Federal Law on Consumer Cooperatives (Consumer Societies, Their Unions) in the Russian Federation of June 19, 1992, No. 3085-1 (as amended on 02.07.2013) (hereinafter: 'FLCC'). This group also includes: housing and housing-building cooperatives², housing savings cooperatives³, credit cooperatives⁴, and agricultural consumer cooperatives.⁵

¹ Agricultural production cooperatives are regulated by the Federal Law on Agricultural Cooperation of December 08, 1995, No. 193-FL (as amended on 08.12. 2020)

² Housing and housing-building cooperatives are governed by the Housing Code of the Russian Federation of December 22, 2004, No. 188 - FL (as amended on 21.07.2014), section 5

³ Housing savings cooperatives are governed by the Federal Law on Housing Savings Cooperatives of December 30, 2004, No. 215-FL (as amended on 27.06.2019)

⁴ Credit cooperatives are governed by the Federal Law on Credit Cooperation of July 18, 2009, No. 190-FL (as amended on 13.07.2020)

⁵ Agricultural consumer cooperatives are governed by the Federal Law on Agricultural Cooperation of December 08, 1995, No. 193-FL (as amended on 08.12. 2020)

Garage cooperatives (Garazhniki) and mutual insurance societies do not have special separate laws. Their activities are regulated by the civil law regulations.

The Russian Federation is subject to the civil jurisdiction (there are no other jurisdictions in the country). An important feature of this legal system is its correlation with Roman law.

Regarding special laws for cooperatives In the Russian Federation, there are special laws governing the activities of certain types of cooperatives. The significance of these laws lies in the fact that they contain more detailed regulation regarding the activities of every specific type of cooperative and reflect their specificities. This approach helps to avoid a large number of problems and also ensure the unity of law enforcement practice.

The Civil Code of the Russian Federation (Article 50, paragraph 1) prescribes the division of all legal entities into two separate groups: commercial and non-commercial organisations. Legal entities that pursue profit-making as the main goal of their activities are commercial organisations, whilst those which are not profit-oriented and do not distribute the received profit among their members are non-commercial organisations.

Legal entities that are commercial organisations can be created in the organisational and legal form of a production cooperative (Article 50, Civil Code of the RF, paragraph 2). Legal entities that are non-commercial organisations can be created in the organisational and legal form of a consumer cooperative, comprising, housing, housing-building and garage cooperatives (Garazhniki), mutual insurance societies, credit cooperatives, rental funds, agricultural consumer cooperatives (Article 50, Civil Code of the RF, paragraph 3.1), as well as associations (unions), which include, among other subjects, non-commercial partnerships, self-regulatory organisations, associations of trade unions, and cooperatives. (Article 50, the Civil Code of the RF, paragraph 3.3).

A production cooperative (*artel*) is a voluntary association of citizens on a membership basis for joint production and other economic activities (production, processing, sale of industrial, agricultural and other products, execution of work, trade, provision of consumer and other services) on their personal labor and other participation, as well as pooling of the members' (participants') property shares. The law and the bylaws of a production cooperative may provide for the legal entities' participation in its activities. A production cooperative is a corporate commercial organisation (Article 106.1, Civil Code of the RF).

A consumer cooperative is membership-based voluntary association of citizens or citizens and legal entities established in order to satisfy their material and other needs by combining its members' property shares. A mutual insurance society can be based on the membership of legal entities (Article 123.2.1, Civil Code of the RF).

As a result, production cooperatives are classified as commercial organisations, for which the principal aim of the activity is to make a profit, and consumer cooperatives are classified as non-commercial organisations, for which making a profit is not the purpose of their activity. In the view of the national expert, it should be noted that a cooperative (regardless of its type: production or consumer) is first of all, a community of people, and not of capital.

The definition of general law / regulation on cooperatives is not enshrined in the Russian legislation. The specific definitions for each cooperative type are displayed below.

ICA principles in the law

The ICA principles are not directly enshrined in Russian cooperative legislation. However, the principles are indirectly reflected in some of the special laws, namely in the FLCC (Article 4, paragraph 2), the Law on Credit Cooperation (Article 3, paragraph 3) and also the Law on Agricultural Cooperation (Article 2).

The Laws on Production Cooperatives and on Housing Savings Cooperatives do not provide for the cooperative principles.

It should also be noted that some provisions of special laws on cooperatives may reflect the ICA principles implicitly, based on a literal interpretation. For example, democratic member control is usually enshrined in the wording of the principle “one member - one vote”. This is stated in all special laws on cooperatives. It is also important to note that explicit or implicit reference to ICA Principles of cooperative identity in the laws on cooperatives has a legal value. This is because such reference serves as a tool of legal interpretation that can be used by courts, lawyers or scientists to ensure uniform application of the law provisions, as well as a guarantee of the observance of rights, freedoms and legal interests of both citizens and associations.

ii. Specific elements of the cooperative law

a) Definition and objectives of cooperatives

There is no precise definition of cooperatives in Russian legislation. However, special laws governing the activities of certain types of cooperatives contain legally enshrined definitions of cooperatives. The different cooperative types and their definitions are displayed in the table below:

Cooperative type	Governed by	Definition	Enshrined in
Consumer	Federal Law on Consumer Cooperatives (Consumer Societies, Their Unions) in the Russian Federation of June 19, 1992, No. 3085-1 (as amended on 02.07.2013).	<i>In accordance with Article 1 of the FLCC, a consumer society is a voluntary association of citizens and (or) legal entities, created, as a rule, on a local basis, on the basis of membership by combining members' property share contributions for commercial, procuring, manufacturing and other activities established in order to satisfy their material and other needs.⁶</i>	Civil Code of the Russian Federation (part one) Article 123.2
Production	Federal Law on Production Cooperatives of May 08, 1996, No. 41-FL (as amended on 31.07.2020).	<i>A production cooperative (artel) (hereinafter "the cooperative") is a voluntary association of citizens on a membership basis for joint production and other economic activities based on their personal labour and other participation as well as pooling of the members' property shares. A cooperative's founding document may provide for the legal entities' participation in its activities. A cooperative is a legal entity – a commercial organisation.</i>	Civil Code of the Russian Federation (part one) Article 106.1
Agricultural production	Federal Law on Agricultural Cooperation of December 08, 1995, No. 193-FL (as amended on 08.12. 2020);	<i>An agricultural production cooperative is a cooperative created by citizens for joint production, processing and marketing of agricultural products, as well as for performing other activities not prohibited by law. It is based on the personal labour participation of cooperative members.</i>	Article 3 of the Federal Law on Agricultural Cooperation.
Agricultural consumer	Federal Law on Agricultural Cooperation of December 08, 1995, No. 193-FL (as amended on 08.12. 2020);	<i>An agricultural consumer cooperative is an agricultural cooperative created by agricultural producers and (or) citizens engaged in private farm holding subject to their obligatory participation in the economic activities of the consumer cooperative.</i>	Article 4 of the Federal Law on Agricultural Cooperation
Credit consumer	Federal Law on Credit Cooperation of July 18, 2009, No. 190-FL (as amended on 13.07.2020);	<i>A credit cooperative is a membership-based voluntary association of individuals and (or) legal entities on territorial, professional and (or) social principles, with the exception of the case established by Part 3, Article 33 of this Federal Law, for meeting financial needs of the credit cooperative's members (shareholders) (clause 2 as amended by Federal Law of 13.07.2020 N 196-FL).</i>	Article 1 of the Federal Law on Credit Cooperation
Housing	Housing Code of the Russian Federation of December 22, 2004, No. 188 - FL (as amended on 21.07.2014), section 5.	<i>A housing or housing-building cooperative is a voluntary association of citizens and legal entities on the basis of membership for meeting citizens' housing requirements, as well as for managing multi-family dwellings.</i>	Article 110 of the Housing Code of the Russian Federation
House savings	Federal Law on Housing Savings Cooperatives of December 30, 2004, No. 215-FL (as amended on 27.06.2019);	<i>A housing savings cooperative is a consumer cooperative created as a voluntary association of citizens on the basis of membership for meeting the cooperative members' housing requirements by pooling of the members' property shares.</i>	Article 2 of the Federal Law on Housing Savings Cooperatives

Garage cooperatives, social cooperatives, mutual insurance societies do not have a special separate law. Their activities are regulated by the civil law regulations.

⁶ In the FLCC the term 'consumer society' is used; there is no definition of 'consumer cooperative'. For the purpose of this report, the remainder of the text uses the term 'consumer cooperative'.

Cooperatives have become widespread in all areas of social and economic life, forming different types of cooperatives to meet people's varied interests and economic needs. A few common elements of the concept "cooperative" which can be identified from these special laws are as follows:

- cooperatives in Russia are voluntary associations of citizens and (or) legal entities
- their property comes from share contributions
- they are organised on the basis of membership
- cooperatives are governed by democratic principles of cooperative management (one member - one vote).

Objectives

The purpose of the cooperative's activities must be determined based on their activity characteristics. For non-commercial cooperatives, their purpose is to meet the cooperative members' needs and achieve the statutory goals. For commercial cooperatives, in the process of representing their members, they make profit and exercise the right to distribute it independently. The goals that cooperatives pursue are defined in current specific cooperative laws.

According to the current cooperative legislation of the country, all types of cooperatives are created with the aim of helping cooperative members, regardless of whether they belong to a commercial or non-commercial organisation. After all, a cooperative is, first of all, an association of individuals who create cooperatives, in order to meet their specific needs, act on a democratic basis (and this is their main difference and advantage) – each member has one vote at the meeting, so any decision of the general meeting is taken by a majority of votes and in the interests of members.

For example, in the FLCC, the main tasks and goals of the cooperative are: creation and development of trade organisations to provide members with goods; procurement from citizens and legal entities of agricultural products and raw materials, yields from personal plots and craft products, wild fruits, berries and mushrooms, medicinal plants with their subsequent processing and sale; production of food products and non-food products with their subsequent sale through retailers; providing household services to consumer cooperative members; promotion of cooperative ideas, based on international principles of cooperation and communicating them to every member of consumer cooperatives including through the mass media.

In accordance with the current cooperative legislation of the country, members of the cooperative can be consumers, suppliers, deliverers, contributors and employees.

Article 11 of the FLCC determines the cooperative member's rights to: participate in consumer society's activities; acquire on a preferential basis goods or services provided by trade and service organisations of the consumer cooperative; use the consumer society's outlets for selling craft products and yields from personal plots on a contractual basis; supply agricultural products and raw materials to consumer society's outlets for processing; be employed on a preferential basis in the consumer society according to their qualifications and the cooperative's need for workers.

Article 8 of the Law on Production Cooperatives determines the cooperative member's rights to: participate in production and other economic activities of the cooperative; cooperative members taking personal labor participation in the cooperative's activities also have the right to receive payment for their work in cash and (or) in kind.

Under Russian law, cooperatives are not required to transact only with their members. As a general rule, cooperatives have the right to conclude various transactions with individuals and legal entities that are not members of the cooperative. However, the law contains restrictions. For example, according to paragraph 1, Part 1, Article 6 of the FLCC, the credit cooperative is not entitled to provide loans to individuals who are not the credit cooperative's members.

Restrictions on non-member transactions are also enshrined in Article 48 of the Federal Law on Housing Savings Cooperatives, which states that, without a preliminary decision of the general meeting, the cooperative is not entitled to conclude transactions on the sale of residential premises owned by the cooperative. It also concerns exchanges of residential premises, premises designated for use by cooperative members, and other transactions entailing restrictions on the use of cooperative property such as transactions on renting residential premises or as a security (i.e., mortgages).

The current cooperative laws of Russia do not state that the cooperative is obliged to carry out tasks that go beyond providing support to its members, and, in particular, to act in the interests of non-members, or in the interests of the community as a whole.

In Russia, social cooperatives do not exist as a separate legal form. However, a consumer cooperative, to one degree or another, may solve social problems. For example, Article 2 of the FLCC states that consumer cooperation is a system of consumer cooperatives created to meet material and other needs of members.

Cooperatives, both production and consumer, can engage in any economic activity that is not contrary to the law. So, for example, in accordance with the Federal Law on Banks and Banking Activities of December 02, 1990, No. 395-1 (as amended on 30.12.2020), cooperatives cannot engage in banking activities. For some types of activities listed in the Federal Law of May 04, 2011, No. 99-FL on Licensing Certain Types of Activities, it is also necessary for cooperatives to obtain a special authorisation to carry them out. Some examples of activities requiring such an authorisation are as follows:

- trade in weapons and firearms;
- manufacture of medicines;
- passenger transport activities;
- gambling activities, including in bookmakers or betting shops;
- provision of communications services;
- educational activities;

In addition, there are types of economic activities, for example, the production of electrical energy by nuclear power plants, which can only be carried out by specially created state-owned companies or corporations (such as Rosatom).

b) Establishment, cooperative membership and governance

In Russia, there is no specific registration for cooperatives. Cooperatives, like other legal entities, are entered into the Unified State Register of Legal Entities. The registration procedure is determined by the Federal Law of 08.08.2001 No. 129-FL (as amended on 27.12.2018) on State Registration of Legal Entities and Individual Entrepreneurs. State registration of a cooperative is mandatory, since a cooperative is only considered created from the moment of its state registration. Details concerning cooperatives are entered into the Unified State Register of Legal Entities.

As a general rule, in order to create a cooperative, it is necessary to hold a meeting of the initiative group for developing draft bylaws, as well as adhere to the quantitative requirements for membership. For example, a credit cooperative can be established by at least 15 individuals or 5 legal entities. A credit cooperative with membership of both individuals and legal persons can be established by at least 7 specified persons.

A production cooperative is formed exclusively by the decision of its founders. The number of members for a production cooperative should be at least five. Citizens of the Russian Federation, foreign citizens, and stateless persons can all be members of a production cooperative. A legal entity participates in the cooperative's activities through its representative in accordance with the cooperative bylaws (Article 4 of the Federal Law on Production Cooperatives).

The main legal requirements regarding a Russian cooperative's creation can be demonstrated by the example of the FLCC, where Article 7 defines the procedure for the consumer society establishment:

Individuals who have reached the age of 16 and/or legal entities can be the founders of a consumer cooperative. The number of founders should be at least 5 citizens and/or 3 legal entities. The procedure for making decisions on the consumer cooperative creation and on joining the union is determined by the founders of the consumer cooperative in accordance with this Law. The decision to create a consumer cooperative is taken at the Board Meeting, which approves the list of members, the bylaws of the consumer cooperative and the statement on the entrance fees expenditure. The Board Meeting elects Board members and control bodies. The decision of the consumer cooperative's Board Meeting is recorded in a report. If during the cooperative working period the number of members decreases below the established minimum, the cooperative is subject to liquidation.

This rule on liquidation is also directly spelled out in Part 3, Article 10, Federal Law of July 18, 2009, No. 190-FL on Credit Cooperation: if within six months the number of credit cooperative members is less than the minimum number, the credit cooperative makes a resolution on its dissolution. Winding up proceedings are prescribed by law. If the credit cooperative fails to comply with this requirement, its liquidation is carried out by a court decision.

The national cooperative legislation provides for the following procedure for admitting new members and the procedure for terminating cooperative membership:

For consumer cooperatives

According to the FLCC, a citizen or legal entity wishing to become a member of a consumer cooperative shall submit a written application to the consumer cooperative board for admission. The application must indicate the citizen's last name, first name, patronymic, date of birth and place of residence. An application for a legal entity must indicate its name, location, state registration number of the legal entity (primary state registration number), taxpayer identification number and bank details. Citizens who do not have independent earnings and those who receive state benefits, pensions or scholarships must specify this information in the application. The application for admission to the consumer cooperative must be considered within 30 days by the board of the consumer society. If the decision on the applicant's admission is positive, they are recognised as a member of the consumer cooperative from the moment of payment of both the entrance fee and the share contribution, or part thereof established by the bylaws of the consumer cooperative. Individuals who have provided the entrance and share contributions become members of the consumer cooperative and receive a document certifying their membership, according to Article 10 of the FLCC.

Article 13 of the FLCC provides that membership in a consumer cooperative is terminated in the following cases: voluntary withdrawal or exclusion of the member; liquidation of a legal entity that is a member; death of a member; liquidation of the consumer cooperative. The board of the cooperative considers the shareholder's application for voluntary withdrawal. The procedure of the member's withdrawal shall be subject to the bylaws of the consumer cooperative. The shareholder may be expelled from the consumer cooperative by a decision of the general meeting if they fail to fulfill their obligations to the society without good reason, established by this Law or the bylaws of the consumer cooperative, or if they commit actions that cause damage to the cooperative. The member must be notified in writing at least 20 days before the effective date by the consumer cooperative board on the reasons for submitting the issue of the exclusion from the consumer cooperative on the general meeting's agenda. The member should be invited to the general meeting to exercise the right to express their view. In case of a member's absence without a valid reason at the general meeting of the consumer cooperative, it is authorised to decide on their exclusion from the consumer cooperative. In the event of the member's death, the member's heirs may be admitted to the consumer cooperative, unless otherwise provided by the bylaws. Otherwise, the consumer cooperative transfers the deceased's share contribution and cooperative payments to heirs.

For production cooperatives

The Law on Production Cooperatives states that cooperative's members can be citizens of the Russian Federation above the age of 18 who have made a share contribution defined by the bylaws of the cooperative. The bylaws of the cooperative determine the size and procedure for making a share contribution. Foreign citizens and stateless people can be members of a cooperative on an equal basis with citizens of the Russian Federation.

The number of cooperative members who have made a share contribution and participated in the cooperative activities and who do not personally participate with labour in its functioning should not exceed 25% of the number of cooperative members who do personally participate with labour in the cooperative's activities. In the event of the member's death, their heirs may be admitted to the consumer society, unless otherwise

provided by the bylaws of the cooperative. Otherwise, according to Article 7 of the Law on Production Cooperatives, the cooperative transfers the deceased's share contribution, wages, bonuses and any additional payments due to the heirs.

The national expert notes that membership in a production cooperative can be terminated by voluntary withdrawal. The member should notify the chairperson (board) of the cooperative in writing not later than two weeks before the effective date. The shareholder may be expelled from the cooperative by a decision of the general meeting if they have not made the share contribution within the period established by the bylaws of the cooperative; if the member of the cooperative does not fulfill or improperly fulfills the duties assigned to them by the bylaws of the cooperative; or in other cases stipulated by the bylaws of the cooperative. A member of the cooperative's supervisory board or the executive body may be expelled from the cooperative by decision of the general meeting on grounds of his membership in a similar cooperative. Expulsion from the cooperative members on grounds not provided for by this Federal Law or the bylaws of the cooperative is not allowed. The cooperative member must be notified in writing no later than thirty days before the date of the general meeting. The member should be invited to the general meeting to exercise the right to express his/her view. According to Article 22 of the Law on Production Cooperatives, the decision on exclusion from membership can be appealed in court.

Each cooperative law specifies that a cooperative member has the right to vote on the basis of "one member, one vote" (for example, in the FLCC, this is provided for in Article 4, paragraph 2). For production cooperatives, Article 15, paragraph 2 of the Law on Production Cooperation stipulates that each member of the cooperative, regardless of the size of his share, has one vote when making cooperative members' decisions at general meeting. For agricultural cooperatives, Article 13 paragraph 3 of the Law on Agricultural Cooperation provides for cooperative management on the democratic basis of one member - one vote. Finally, for credit cooperatives, Article 13, paragraph 3 of the Law on Credit Cooperation, provides for voting on all issues submitted to the General Meeting of the credit cooperative members, with each member having the right to one vote.

Governance bodies

In general, the internal structure of the cooperative's governing bodies is identical in all types of cooperatives, however, there are some peculiarities in the governing bodies' structures concerning the goals, numerical strength and tasks of the cooperative. As a general rule, the internal structure of the cooperative's governing bodies includes the supreme, representative, executive, control and audit bodies. The governing bodies are elected from among the members of the cooperative; exceptions to this rule are only provided by law. This provision is aimed at maintaining cooperative members control over the property and economic activities of the cooperative. Moreover, usually a member of a cooperative cannot be a member of more than one governing bodies – representative, executive, or control and audit - simultaneously.

The governing bodies of Russian cooperatives depend on their sector, as detailed in the table below:

	Governance Body			
Cooperative Type and Relevant Article/Law	General Meeting	Supervisory Board	Board and/or Executives	Audit Commission / Auditor
Consumer Article 16 / FLCC	Supreme body, meeting periodically	Permanent representative body	Board as executive body	Audit Commission for control and audit
Production Arts. 14-18 / Law on Production Cooperatives	Supreme body, meeting periodically	Representative body, formed if the number of members is more than 50	Elected with more than 10 members and/or a chairperson of the cooperative	When less than 20 members
Agricultural production Article 19 / Law on Agricultural Cooperation	Supreme body, meeting periodically, including authorised representatives	Created when the number of the cooperative members is not less than 50 people. A meeting of delegates is convened when the number of members is more than 200.	Board for when there are more than 20 members and/or the chairperson of the cooperative	See supervisory board
Agricultural consumer Article 19 / Law on Agricultural Cooperation	Supreme body that meets periodically including authorised representatives	Compulsory, see audit	the Board of the cooperative and/or the Chairperson of the cooperative	The supervisory board of the cooperative (control and audit body), which is created on a compulsory basis.
Credit Article 15 / Law on Credit Cooperation.	General Meeting of members	See audit	the Board and the Chairperson / Chairperson of the Board (single executive body)	The supervisory board / audit commission / auditor of the credit cooperative (control and audit body of the credit. ⁷
House savings Article 33 of the Law on Housing Savings Cooperatives	General meeting with authorized representatives (with more than 500 members)	The Board as a permanent representative, not as an executive body	A Director (single executive body) and/or Directorate (collegial executive body)	Audit Commission or an Auditor. It is also possible to create other governing bodies on the basis of the Bylaws.

⁷ In addition, a credit cooperative may establish other bodies: a director (Executive Director) as the single executive body, which may be taken by an employee i.e., not a member of the cooperative.

Membership control over the cooperative's activity is ensured by control and auditing bodies, as well as by a general meeting of members. People other than the cooperative members can take a post of the director of the cooperative. They are considered employees acting on the basis of an employment contract.

The Director (chairperson) and administrators (board members) of the cooperative are liable for violation of, or non-compliance with, legislative norms, infliction of damage to the cooperative, and disclosure of commercial secrets. Liability for damages is imposed by a court decision. For non-performance or improper performance of cooperative duties, the director (chairperson) may be dismissed from their post, and in some cases excluded from cooperative membership. The hired Director, who is not a member of the cooperative, bears legal responsibility based on their concluded labour contract.⁸

c) Cooperative financial structure and taxation

In Russia, the basis for autonomy of a cooperative's property is its co-op share (bylaws) fund. The Civil Code of the Russian Federation does not contain any requirements for the size of the minimum fund, because it will differ for different types of cooperatives. However, paragraph 4, Article 116 of the Civil Code of the Russian Federation stipulates that the cooperative must have a fully paid co-op share fund.

The concepts of "co-op share fund" and "authorised share capital" have an identical nature, since they serve the purposes of ensuring the creditors' interests. However, they are applied in relation to subjects of civil relations which differ in their organisational and legal form. The co-op share fund is formed in cooperatives (consumer, housing-building, or agricultural) and the authorised share capital is formed in limited liability companies, as well as in joint stock companies.

In Russian consumer cooperative legislation, a co-op share fund is defined as a fund consisting of share contributions provided by members when creating a consumer cooperative or joining it. According to Article 1 of the FLCC, this fund is one of the sources forming the consumer cooperative's property. The size, formation procedure and the use of the consumer cooperative's funds are established by the general meeting of the cooperative.

For production cooperatives, a co-op share fund is understood as the minimum size of the cooperative's property to safeguard the interests of its members. According to Article 10 of the Federal Law on Production Cooperatives, the co-op share fund must be fully formed during the first year of the cooperative's activity. A member of the cooperative is obliged to pay at least 10% of the share contribution by the time of the cooperative's state registration. The rest of the share contribution is paid within a year after the cooperative's state registration. A member's share contribution can consist of money, securities, other property, including property rights, as well as other objects of rights under civil law. The national expert notes that the share contribution may also take the form of plots or land and/or other natural resources, to the extent allowed by the law.

The bylaws of the cooperative establish the size of the share contribution. The bylaws of the cooperative must also provide for the cooperative member's responsibility; in case they fail to make the required share contribution. In a production cooperative, mandatory

⁸ See Article 28, Law on Agricultural Cooperation; Article 1, Law on Credit Cooperation; Clause 8, Article 19, FLCC; Article 46, Law on Housing Savings Cooperatives, etc.

share contributions are set in equal amounts, whilst in a consumer cooperative they are proportional to the expected volume of a cooperative member's participation in the economic activities of the cooperative.

Agricultural cooperatives have certain peculiarities regarding the formation of a mutual fund. In accordance with Article 1 of the Law on Agricultural Cooperation, the co-op share fund is defined as the contributions both of cooperative's members and of associate members in monetary terms.

In the case of a member's exit, they must be paid the value of contributions or distributed assets corresponding to the share contribution (Article 18, paragraph 1 of the Federal Law of December 08, 1995, No. 193-FZ (version dated 05 April 2021) on Agricultural Cooperation). The payment is to be made after the end of the financial year and following the approval of the annual financial statements of the cooperative, unless otherwise stipulated by the cooperative's bylaws. If the departing member transfers their share to another person, there is no payment to this member (Article 18, paragraph 2). Similar rules are enshrined in the other special laws regulating activities of cooperatives in Russia. The rules for paying back share contributions and cooperative payments do not depend on the reasons for the termination of cooperative membership (e.g., if voluntary or if by exclusion).

Profit allocation

In accordance with Article 50 of the Civil Code of the Russian Federation, production cooperatives are classified as commercial legal entities that pursue profit-making as the main goal of their activities. As a general rule, the profit of a production cooperative is distributed among its members in accordance with their labor participation, unless a different procedure is provided for by the Law on Production Cooperatives and/or the cooperative's bylaws.

Conversely, consumer cooperatives are non-commercial organisations, for which making a profit is not the main purpose of their activity. The Civil Code of the Russian Federation contains a provision allowing consumer cooperatives to carry out income-generating activities, if it is provided for by their bylaws, only insofar as it serves to achieve the cooperatives' goals, and if it is in accordance with such goals.

For example, an agricultural cooperative's profits, which are determined by the financial statements after taxes, fees and mandatory payments, are distributed to:

1. the liquidation of overdue debts
2. the reserve fund and other indivisible funds provided for by the cooperative statute
3. the dividends payment due to members' additional share contributions; bonus awards to cooperative's members and employees. The total amount of payments should not exceed 30% of the cooperative's profit available for distribution
4. cooperative payments

Cooperative payments to a production cooperative's members are distributed in proportion to their annual wages, whereas for members of consumer cooperatives, they are made in proportion to their share in the cooperative's economic activities (but shall not be more than 20% of the profit).

A cooperative's reserve fund can be created by a decision of the general meeting of members, but the laws do not require this. The profit made from the cooperative members' participation is distributed in direct proportion to their economic contribution, whereas the profit received from transactions with non-members is not distributed among them.

The concept of a "patronage refund" is not provided for in Russian cooperative legislation, and dividends are distributed among the members of the cooperative according to the rules mentioned above.

With regard to financial instruments, the general rule is that cooperatives are not allowed to issue these. In the laws regulating some peculiarities of the activities of different cooperatives, for example, the Federal Law of 18.07.2009 No. 190-FL on Credit Cooperation. Thus, Article 6 of the Federal Law of July 18, 2009, No. 190-FZ (version dated 13 July 2020) on Credit Cooperation expressly states that the cooperative is not entitled to issue securities and conduct transactions with securities. Additionally, the Federal law of December 02, 1990, No. 395-1 (version dated 02 July 2021) on Banks and Bank Activity contains a list of credit institutions which can carry out banking operations, and cooperatives aren't included into this list.

There is a direct prohibition against issuing equity securities, as well as carrying out transactions with them. Attracting direct investments for cooperatives is also not provided for by law, although membership loans are used as an instrument of cooperative financing. Cooperative members also have the right to borrow and lend.

The concept of "investor member" is not directly stipulated within the law, however, the Federal Law on Agricultural Cooperation provides for a concept of "associate member". Unlike cooperative members, they cannot participate in transactions with the cooperative but are legally permitted to vote at the general meeting. However, the total number of associate members who are legally permitted to vote at the general meeting should not exceed 20% of all cooperative members on the date when the decision to convene the general meeting was taken.

Dissolution and transformation

In the case of cooperative dissolution, the capital and assets are distributed in different ways, depending not only on the type of cooperative (production or consumer), but also on its individual specificities. For example, dissolution of a consumer cooperative under the FLCC entails the distribution of the cooperative's property (remaining after settlements with creditors) among members, with the exception of the indivisible reserve fund. The indivisible reserve fund is transferred by a decision of the members' general meeting to another consumer cooperative or cooperative group. Meanwhile, for production cooperatives, the property remaining after settlements with creditors is distributed among members in accordance with the Federal Law on Production Cooperatives.

Upon the dissolution of an agricultural cooperative, its social infrastructure facilities, (which are part of the cooperative indivisible reserve fund), are not subject to division. They are transferred to a local government body on the decision of the general meeting. The property of the liquidated cooperative which remains after settlements with creditors is transferred and distributed to the members of the cooperative.

Upon the dissolution of a credit cooperative, its assets are subject to distribution among its members in proportion to their shares. Upon conversion into another type of business organisation, the member's share becomes the share of the same member in the newly formed cooperative (organisation), and the remaining assets and capital are transferred in accordance with the deed of transfer or dividing balance sheet, approved by the general meeting of cooperative members.

The reorganisation of cooperatives is also subject to special rules. Reorganisation in the form of mergers, acquisitions, divisions and separations requires the preservation of the cooperative form. Reorganisation in the form of transformation is subject to special regulations. For example, for a consumer cooperative, members can pass a decision for the cooperative to be transformed into a public organisation, association or union, autonomous non-commercial organisation, or a foundation, in accordance with the Civil Code of the Russian Federation.

At the same time, under Federal Law of November 29, 2007, No. 286-FZ (version dated 29 July 2017) on Mutual Insurance, during reorganisation, a consumer cooperative such as a mutual insurance society can only be transformed into a business company dealing with insurance.

According to Article 123.2 paragraph 3 of the Civil Code of the Russian Federation, a housing or house-building cooperative can only be transformed into a partnership of real estate owners, by a decision of its members. A production cooperative can be reorganised into a business partnership or a society. The property of the reorganised cooperative is transferred to the newly formed legal entities based on a deed of transfer or via a separation balance sheet.

Taxation

Regarding taxation, there is no specific tax regime for cooperatives in the Russian Federation. However, several special tax regimes affect cooperative activities. Thus, the taxation system for agricultural producers affects the agricultural consumer cooperatives' activities, notably processing, marketing, procurement, plant growing, and cattle breeding. This type of cooperative is recognised in accordance with the Federal Law of December 8, 1995, No. 193-FL on Agricultural Cooperation.

Another specific tax regime is a simplified taxation system. It makes an exception for its application by consumer cooperative organisations operating in accordance with the FLCC. Thus, specific tax regimes applied in Russia allow cooperatives to enjoy certain preferences in taxation and are aimed, among other things, at their support. In a number of cases, their special legal nature is taken into account.

Regarding patronage refunds, the concept is not applied in the tax legislation of the Russian Federation. Taxation of dividends is carried out by cooperatives in accordance with the general procedures under tax law. There are no benefits and preferences for cooperatives when compared with other organisations.

Special-purpose receipts, made in accordance with the legislation on non-commercial organisations, are not taken into account when determining the income tax base. These include, for example, contributions from founders (participants, members); income in the form of work received free of charge by non-commercial organisations (which has been performed based on relevant agreements); deductions for the formation of a reserve for

repairs such as basic repair of the total property in case they are provided to a housing cooperative, a garage-building cooperative, housing-building cooperative or other specialised consumer cooperative by their members.

Thus, cooperatives, depending on their type, may take advantage of the benefits and preferences provided by law for commercial or non-commercial organisations respectively. Since some cooperatives are classified as non-commercial organisations and others are classified as commercial ones, their tax regimes differ accordingly.

A special feature in the taxation of non-commercial cooperatives is that special-purpose receipts are not subject to tax. Non-commercial cooperatives are liable to pay tax on income received from entrepreneurial activity on general terms, for example income tax on the amount of excess income over expenditure on entrepreneurial activities. At the same time, only those expenses that are directly related to entrepreneurial activity are considered in the composition of costs that reduce taxable profit. The same applies to the adjustment amounts of the taxable profit.

The income received by the members of a commercial cooperative is taxed and paid in a special way, corresponding to the activity. Essentially, members of the cooperative receive profit, not wages, and therefore their income is essentially dividends. For this reason, such income is taxed at a reduced rate of 9%.

Thus, the taxation mechanism applicable to cooperatives depends on the specifics of their activities and, even though there is no specific tax regime for cooperatives, special tax regimes, provided for by Russian legislation, can be used in their activities, which, in turn, provides them with a number of preferences.

iii. Other specific features

Cooperatives are autonomous and are not under external control by the state. The state only establishes general rules for cooperative activity to guarantee the protection of human and civil rights and freedoms, as well as cooperative members' property interests.

State bodies and local bodies of self-government have no right to interfere in the economic, financial, or other activities of cooperatives.

Nevertheless, Article 31 of the FLCC stipulates that unions of consumer cooperatives have the right to exercise control and administrative functions relating both to consumer cooperatives or their member unions, and the corresponding consumer cooperative unions created by primary cooperatives.

Inspections of the activities of the union's members and the corresponding consumer cooperative unions are carried out by the board of the union (control and audit union's sector) at least once every three years. They can also be carried out in the event that a consumer cooperative or a group of consumer cooperatives makes a decision to withdraw from the union.

The concepts of public control or self-control, by the cooperative or representative organisations of cooperatives over the cooperatives' activities, are not enshrined in Russian legislation. Cooperative bylaws may provide for the mandatory control of

cooperative members over the cooperative and its management bodies' activities through the work of control and audit bodies. From the textual interpretation of the legal provisions, it follows that there is no direct control over the activities of the cooperative by its members, the only one exception to this rule is the provision of article 23 of the Federal Law of July 18, 2009, No 190-FZ (version dated 13 July 2020) on Credit Cooperation under which the powers of the control and audit body are exercised by created without fail the supervisory board or the audit commission of the credit cooperative in a credit cooperative with more than 200 members.

Government monitoring and oversight are carried out by public authorities in order to protect the interests of the whole society, namely the rights and freedoms of citizens, as well as their life and health, which is protected by the law. Therefore, such oversight cannot be delegated to cooperatives (or any organisation).

Cooperation among cooperatives

Regarding cooperation among cooperatives, the principle is not enshrined in national legislation. However, the current legislation for consumer cooperatives contains the provision that cooperatives are free to establish unions and associations. According to Article 1 of the FLCC, the Central Union of Consumer Societies of Russia is a voluntary association of consumer societies and/or regional unions created to coordinate the activities of consumer societies and their unions, ensuring consumer societies and their members' property and other rights protection, representing interests of consumer societies.

Furthermore, Article 31, paragraph 6 of the FLCC states: The Central Union, that includes consumer societies from at least 45 constituent entities of the Russian Federation, represents interests of the organisations that are part of the Central Union system within the international cooperative movement in accordance with the powers delegated to it.

Meanwhile, for production cooperatives, Article 25 of the Law on Production Cooperatives, states the following: Cooperatives have the right, on a contractual basis, to unite into unions (associations) of cooperatives on a territorial, sectoral (by type of activity), territorial-sectoral and other principles in order to coordinate cooperative activities; represent and protect cooperative interests; provide information, legal and other services; organise cooperative workers' training; improve cooperative workers' qualifications; conduct research and other activities.

II. Degree of “cooperative friendliness” of the national legislation

The primary problem concerning the legal regulation of cooperatives in Russia is the lack of a general framework law on cooperatives. Such a law would enshrine the general legal framework for cooperatives, their legal status, and the procedure for their creation, reorganisation, and dissolution, among other elements.

At present, special laws on cooperatives often duplicate provisions on the structure of governing bodies, the procedure for depositing and returning shares, cooperative payments, the procedure for forming cooperative associations, and other provisions. Therefore, in the early stages of developing a law on cooperatives, it would be prudent to enshrine a uniform set of terms and rules for all cooperatives, and then, define the specific regulatory characteristics applicable to the activities of certain types of cooperatives in separate chapters of the law.

It may also be possible to organise cooperative legislation and develop a cooperative code of the Russian Federation on the basis of existing regulatory legal acts. In general, the provisions of national legislation do not contain legal obstacles and barriers to cooperative development. However, if we analyse the legal norms for certain types of cooperatives, it is evident that certain legislative provisions hamper the development of cooperatives.

For example, in the case of housing cooperatives, a specific problem requiring attention is the statutory regulation of inheritance. According to the legislation, a cooperative member can acquire ownership of a dwelling only if the share contribution is paid in full. Therefore, in the event of their premature death, it covers only the heir's rights to the part of the share contribution that the member managed to pay. Based on this, only the right of the share accumulation can be inherited, which may not be recognised and certified currently in a similar manner to ownership of a dwelling.

In the view of the national expert, the normative regulation of agricultural cooperative activities is optimal for the development of cooperatives, as it is detailed enough and provides utility, particularly for legislative bodies. The Law on Agricultural Cooperation enshrines the normative definition of an agricultural cooperative and provides the legal basis for its activities. It characterises different types of agricultural cooperatives and specifies features of their legal regulation, which greatly contributes to law enforcement practice.

State support and promotion for cooperatives

Further the national expert considers cooperative development in Russia to be the important for national economic development. In light of this, in view of the national expert, the state should also provide all possible support which can stimulate the development of the cooperative movement. At present, the national legislation does provide state support for cooperative development which takes into account the social significance of cooperatives. For example, the provisions of the FLCC guarantee state support to consumer cooperatives and their unions, as well as to the citizens and legal entities engaged in their establishment.

The provisions of the Law on Production Cooperatives, including Article 23, state that public authorities and local governments will contribute to the development of cooperatives, in particular through tax and other incentives provided for cooperatives engaged in production of goods and rendering services. Furthermore, on a preferential basis, cooperatives are provided with non-residential premises with the right to redeem them, land plots, government orders, and information necessary for their activities.

Notably, several target programs have been developed recently to support agricultural cooperatives, both at the federal and regional level. Two current examples are firstly the Departmental Target Program, as part of the Central Program on Development of Agricultural Cooperatives in the Russian Federation until 2025, and secondly: The Strategy for Sustainable Development of Rural Areas of the Russian Federation, running until 2030.

Further, another new instrument of state support that is intended for agricultural producers who have been working in rural areas for more than two years, is the RF Government Decree of November 26, 2020, No. 1932 On Amendments to Appendices No. 7 and 8 to the State Program of Agricultural Development and Regulation of Markets for Agricultural Products, Raw Materials and Food. This instrument provides for the allocation of grants for agricultural producers from 2021 (Agroprogress). The maximum grant amount will be 30 million rubles. Utilising these funds, it will be possible to cover up to a quarter of the cost of a project implemented on the basis of an investment loan. State support funds are allowed to be used for the acquisition or construction of new facilities for production, storage and processing of agricultural products, as well as for furnishing these facilities with equipment, agricultural machinery and special vehicles. In addition, the grant can be spent on the purchase of animals, poultry and fish seed.

At the regional level, targeted support for cooperatives is also envisaged. In the period from 2015 to 2020 the departmental special-purpose program, on the Development of Agricultural Cooperation in the Belgorod Region for 2015-2020, has been developed and carried out.

The program was designed to provide grants from the regional budget for the development of cooperatives' material and technical base; ensure the availability of financial resources for agricultural cooperatives; create and develop organisational infrastructure aimed at providing advisory support to agricultural cooperatives; render educational, training and retraining services to members of agricultural cooperatives; and improve and develop sales channels for agricultural cooperatives' products. The national expert also notes that, in the Belgorod region, grants are allocated to support agricultural cooperatives.

Therefore, when considering the degree to which the legislation in the Russian Federation may be considered 'cooperative friendly', to a wide extent, in the view of the national expert, it is very much so.

Today Russia has an impressive set of cooperative laws, although vulnerabilities and gaps remain concerning the practical differentiation and taxation of both production and consumer cooperatives. The variety of different types of cooperatives currently requires further legislative development, both at the legal level and at the level of public information, in order to clearly distinguish between production and consumer cooperatives.

The national expert also considers that it is necessary to conduct awareness-raising activities in civil society and explain the advantages of the cooperative model to the public, in order to generate interest in cooperatives and their development of cooperation in general.

Regarding potential practices from other jurisdictions that may be a relevant source of inspiration, housing cooperatives are a sector of interest, as in the view of the national expert, housing cooperation in Russia is not sufficiently regulated. Associations of housing cooperatives also operate in Norway, where at least as recently as 2003, cooperative members could rent buildings belonging to the cooperative. However, this cannot be considered a lease in its pure form since decisions on the provision of accommodation would be made directly by a meeting of members. The sale of apartments in such cooperatives would have certain limitations, based on which the preferential right to purchase a flat would belong to other members of the cooperative. Only after their refusal would the apartment be put on the market (at a price that corresponds to the cooperative's framework).⁹

In general, the national expert can note a number of common characteristics of the foreign housing cooperatives mentioned above. First, there is no state interference in the sector, meaning housing cooperatives can arise only at the initiative of citizens or organisations. Also, such cooperatives may enjoy kinds of state support and enjoy tax breaks and subsidies.

In Norway, when members purchase new dwellings, they can choose a specific flat in a new house building project based on the number of years of membership. When the project is completed, they become co-owners in the new housing cooperative.¹⁰ Current laws for housing cooperatives and cooperative housing associations have been established after good cooperation between the Government and the Storting (the Norwegian legislature), and where the cooperative housing movement has been given the opportunity to make important contributions to ensure adequate regulations for the movement.¹¹ Recently, in Norway good examples exist of, among other things, the introduction of regulation of the right to electric car charging in the housing cooperatives, and not least during Covid-19, regulation of deadlines and alternatives for conducting board meetings and general meetings have been implemented quickly.¹²

⁹ Pedersen R. B. Cooperative Housing: The Norwegian Housing Model / R. B. Pedersen // Review of International Cooperation. - 2003. - Vol. 96. - No. 1. - P. 13-16.

¹⁰ Julie Nåvik Hval, Legal Framework Analysis, National Report: Norway, p. 8, available at: <https://coops4dev.coop/sites/default/files/2021-05/Norway%20Legal%20Framework%20Analysis%20Report.pdf>

¹¹ Ibid., p. 20

¹² Ibid.

III. Recommendations for the improvement of the national legal framework

For the development of cooperatives in Russia, the national expert considers it necessary at the legislative level to:

- eliminate the fragmentation in the legal regulation of the activities of different cooperative types
- develop and adopt a general law on Cooperatives. In this law, it is necessary to consolidate the general principles and rules for cooperative activities; list the types of cooperatives and their features; and establish uniform terms that should be used consistently within the cooperative legislation.
- Organise cooperative legislation and develop a Cooperative Code of the Russian Federation on the basis of the existing regulatory legal acts.

The national expert also proposes general modifications and specific changes in order to make Russian national law more cooperative friendly:

- involvement of consumer cooperatives in the execution of projects with state participation, among other things, getting state authorisation and receiving state support for the realisation of social projects. To develop these areas, it is necessary to address the issues of affordable project lending for consumer cooperatives and ensure effective strategies for their participation in procurement activities.
- creation of a Cooperative Assistance Fund and granting it the functions of monitoring the development of the cooperative sector of economic activity, as well as regulating development issues and providing state support to all types of cooperatives.
- develop regional programs for the promotion of consumer cooperatives, by creating special conditions and providing them with favourable credit facilities.

At the sectoral level, the national expert suggests that certain changes and additional legal regulation are required by housing and house-building cooperatives. Changes are also necessary regarding cooperatives that still require updates at the legislative level, for example, social cooperatives.

The national expert considers that the existing regulation of housing and house-building cooperatives by a separate section of the Housing Code of the Russian Federation does not comply with the existing system under which activities of certain types of cooperatives are governed.

Lastly, citizens without special education and with gaps in their knowledge of cooperatives may not fully understand the ways in which cooperatives are regulated, so it will be difficult for them to obtain necessary information regarding their activities. Therefore, it seems rational to exclude this section from the Housing Code of the Russian Federation and adopt an independent legislative act on housing and housebuilding Cooperatives.

IV. Conclusions

In the conclusion of the analysis of the legal regulation of cooperatives in Russia, the national expert concludes that in Russia, there is a lack of a unified approach to cooperatives, a unified definition of the concept of "cooperative", duplication of a number of legal norms in various regulatory acts, as well as fragmentation in the legal regulation of the activities of cooperatives of various types.

In particular, the agricultural cooperative sector deserves special attention and there is a need to improve its legal regulation. Despite sufficiently high-quality and detailed legal regulations, the Federal Law on Agricultural Cooperation should be supplemented by norms governing the legal status of cooperative associations, as well as norms governing the personal labour participation of members of agricultural production cooperatives.

In addition, the activities and legal status of certain types of cooperatives remain unresolved by Russian cooperative law in its current form. As noted by the national expert, the mention and reflection of general provisions for housing and housing cooperatives in the Housing Code of the Russian Federation are not sufficient. This sector, along with insurance, social and other types of cooperatives, requires important changes and additional legal regulation through the adoption of an independent legislative act.

The grounds for and types and forms of public control over the activities of Russian cooperatives also require further development and legal regulation.

To further improve the Russian cooperative legal framework, it is necessary to develop a general framework law on cooperation, which would establish a general definition of the concept of "cooperative", the basic principles of functioning and a number of other general issues. It is also necessary to clearly define the supervisory powers of state bodies in the field of cooperation in order to avoid excessive state interference in the affairs of cooperatives and ensure their independence.

Overall, it is important to note that improvement of cooperative regulation is a laborious and lengthy process. Changes in the legal framework of cooperatives should therefore arise as a result of joint actions of all the subjects of public relations and the democratic participation of cooperatives in legislative activity.

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