

INTERVIEW WITH MR. EUGEN CURELARU, PRESIDENT OF FEDERALCOOP^[1] OF IAȘI

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Abstract

This interview was taken on the premises of FEDERALCOOP, located at 39-41 Sfântul Lazăr Str., in Iași. Mr. Eugen Curelaru is President of FEDERALCOOP Iași. FEDERALCOOP is a second degree consumer cooperative whose members are natural and legal persons from Iași district.

The topics covered by the interview include: the FEDERALCOOP history and key moments during its development, its employee profile, the co-op's future plans and 2012 as the International Year of Cooperatives.

Key words: *FEDERALCOOP, cooperative, social enterprise, social economy*

1. What is FEDERALCOOP's business profile?

C.E. At present, the primary business of FEDERALCOOP is commercial, as well as service provision and production, but at a much smaller capacity than in the previous years. Smaller when talking about the turnover, but also about the number of cooperatives involved, which dropped after the 90's. Right now, FEDERALCOOP brings in 400,000 RON every month, of which 25% comes from renting the commercial spaces we own.

Before the revolution in 1989, our business was textiles, knitwear, and carpentry. We also exported Hălăucești woven wicker to England.

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However, even if we did continue to work at the same capacity, the market has since been flooded by low-priced products of China, and we can't compete with that.

Before 1990, due to political pressure, we had to spend more than half of our production time on acquiring goods from people in the community.

2. When was FEDERALCOOP established? Past and present

C.E. FEDERALCOOP is a successor of the cooperative movement in Romania which began in 1850, when the first co-ops were created. Starting that year, Romania developed co-ops nationwide. I must point out that the cooperative movement is not communism-derived, as co-ops are not controlled by the state. In 1895, the International Cooperative Alliance (ICA) was established, and Romania was a founding member. I'm referring here both to the Consumer Cooperatives, as well as to the Handicraft Cooperatives.

The period between the two World Wars was one that fostered the development of co-ops (Consumer Co-ops, Credit Co-ops, cooperative banking). It is well known that during 1955-1990 co-ops enjoyed their most significant expansion, a high turnover and increased assets. This was possible because whatever return the co-op had on its regular business, it could reinvest into building commercial spaces or use it for its needs. After 1990, the situation changed considerably, this sector progressed at a heavy pace, with the sole objective of preserving the existing resources.

FEDERALCOOP was also the name used between the two World Wars, but this name was legally regulated once Law 109/1996 was enforced. There is a District Consumer Cooperative Union for each district, and as far as the Second Degree Co-op part of our name is concerned, this could also have been changed, but we chose to keep the name as such for Iași.

According to the laws in force, a second degree co-op is an association of cooperative members, legal or natural persons. Legal persons means only the co-ops operating in the Iași district, not a limited liability company (S.R.L.) or a joint-stock company (S.A.) Also, the co-ops must be of the same type, we can't have a handicraft co-op associate with a consumer co-op.

Before the revolution in 1989, co-ops in rural areas had no competition, now the competition is extremely high and the biggest challenge is tax evasion which could not be controlled.

According to CENTROCOOP^[1], Iași district is ninth in the country, and in the region of Moldova we are the first in terms of turnover and profit.

3. Can you highlight a few key moments in the development of FEDERALCOOP?

C.E. Immediately after 1990, everyone wanted to break up all co-ops, because the assets they had were very tempting. With the enforcement of Law 109/1996 which supported co-ops in their development, people calmed down because this law did not allow one to dispose of these assets as one pleased.

Law 1/2005, adapted to meet the EU requirements, was a challenge because it eliminated the internal financial control and thus a great deal of the assets were lost. Before this law, we checked on the entities we operated and could tell at any time what our assets were worth and what the financial status was.

There were cases when we had problems dealing with certain co-ops, we had situations in which the co-ops did not pay their taxes to the state budget and we had no choice but to merge them with FEDERALCOOP. We did this because we felt this was a better option than foreclosure. After the co-ops' merger with FEDERALCOOP, we paid all their debts and we have them in our trust. This way, we save the

[1] The National Union of Consumer Cooperatives

assets which we later can capitalize on in the interest of the cooperatives.

I believe FEDERALCOOP would work much better if it weren't for the „load” from these co-ops. This is why we have to merge them.

In the past, each commune had a consumer cooperative, totaling up to 95 entities. Right now there are only 25 left.

4. How is FEDERALCOOP different from other institutions/organizations in Romania?

C.E. We can't compare ourselves to private businesses, even though we too are a private entity, but the others are governed by different principles. We are not entities regulated by Law 31/1990, we operate according to Law 1/2005, as I mentioned before.

5. What is the profile of FEDERALCOOP's employees?

C.E. Our employees are rather old and mostly female (women work longer and harder than men). As for the indirect staff, meaning those who work here in the offices, we have not hired anyone new. Usually, when someone leaves, whether because they wish to or because they retire, we don't hire replacements. A good thing is that we have not laid anybody off, particularly since most of the staff is aged about 50 and we imagine they would have a hard time finding another job. After 1990, the number of employees went down, from 3500 employees in Iași district, there are now only 400.

6. Do you have any project with European funding?

C.E. No, we don't, but we would be interested to receive this type of funding, although for the time being our people lack the skills needed to write such projects. When it comes to funding, I'm happy to report we have no bank loans, we made do through self-funding alone. The money

used to upgrade our entities came from own resources from the commercial business which is for profit, and from renting the spaces we own.

7. What do you plan to do next with FEDERALCOOP?

C.E. We plan to overcome the economic crisis which has affected us as well quite seriously, in these times people don't have much money and they don't make as many purchases. If we manage to survive this crisis, maybe then we'll consider trying new activities.

We are focusing on preserving the status quo, and we hope that at the end of the year when we draw the line we won't counts debts, but rather a small profit. If this happens, people will get their salaries on time to make a decent living. True enough, the salaries aren't all that high, but at least our employees have always been paid.

Given that we operate primarily in a rural area, we wish to be able to get part of our products from farmers. We are occasionally criticized by farmers that before 1990 we were hell-bent on acquiring their products and cattle, and now we no longer procure anything from them. We wish to partner with relevant institutions, because we can provide farmers with storage for their produce, but no one calls on us. We could partner with the local authorities to open a dairy farm in the areas where people are in this business or we could process certain farming products. The state does not encourage us to try new things and we can't risk exploring new avenues in the absence of economic stability.

8. Have you heard of social economy?

C.E. Not much, from where I stand, social economy is about doing business with a concern also for helping people in need. I don't know more about this concept, but I believe the social part of it is incorrectly defined. When we associate with others in a business we do it for a purpose, most often to make a profit, and I don't quite see the connection with the social dimension.

9. What would you advise those who wish to set up a social enterprise?

C.E. They should think things through and always take into account the financial side of it because it affects any decision they make, any activity they want to carry out. If they resort to loans, they should be careful what terms they commit to, otherwise they risk losing everything they gained. Regardless of how they go about it, they should be aware that setting up a social enterprise is a chance you take.

10. The UN declared 2012 as the International Year of Cooperatives. Do you have anything planned in this respect?

C.E. The cooperative movement in Romania is managed by the National Council of Cooperatives consisting of 49 members, of whom 41 are automatically the co-op Presidents in each district, and the other 8 are specialists from CENTROCOOP (The National Union of Consumer Cooperatives). They meet on a quarterly basis. At the central level, we also have the Central Union College which meets every month. These meetings are meant to connect the country's districts and facilitate communication and information about who's doing what.

With regard to 2012, during our meetings we plan to brief our members that this year was declared the International Year of Cooperatives. Usually, the awareness-raising activities take place at national level, so we, at district level, raise awareness among a more limited audience.

We are interested in everything related to co-ops, in fact today in Romania there are about 50,000 cooperative members. There used to be more, but due to reorganization, the number went down.

Various visits abroad have been our way of keeping abreast of the cooperative movement in the world. In 2008, we had study tours abroad to see how co-ops operate in other parts of the world, such as

Egypt, Jordan, Antalya, Bulgaria and Italy. In Italy, we visited Trentino where the cooperative movement is very strong and where they have a wide variety of produce, among which the famous Melinda apples.

Italy has several types of cooperatives: consumer co-ops, credit co-ops, agricultural co-ops, handicraft co-ops, as well as social co-ops. All these have their registered office in the same building which also hosts the Central Union of Co-ops on the top floor. When you have everything in one place, it is much easier to operate, and what they have that we don't is the internal financial control. This was a very efficient tool when we had it in Romania, but with the new laws, this control is no longer part of our duties.

The Italian model is one that Romanian cooperatives should replicate. Unfortunately, the cooperative business in Romania is far behind. For our cooperatives to make steps forward, we should focus on upgrading them, this way we could reduce the gap between us and the other European countries.