

**LAW OF GEORGIA**  
**ON CONSUMER COOPERATION**

**Chapter I - General Provisions**

1. This Law determines legal, economic and social grounds for the activities of consumer cooperatives and their unions. Consumer cooperatives and their unions are based on the principles of voluntary participation, democracy, social justice, mutual assistance and cooperation, mutual responsibility and social care, irrespective of the nationality of the members, or their political views or religious beliefs.
2. The organisational and legal form of consumer cooperatives and their unions is the form of a cooperative. They are considered as established from the day of their state registration. Registration shall be carried out on the basis of this Law and the Law of Georgia on Entrepreneurs.

**Article 1 - Key terms used in the Law**

1. The terms used in this Law shall have the following meanings:

- a) consumer cooperation – the unity of multi-sector consumer cooperatives and their unions performing activities permitted by the legislation of Georgia in order to meet the requirements of their members and the population. For this purpose, the organisations of consumer cooperation provide retail and wholesale trade, nutrition and household services, produce public goods and agricultural products, and purchase, process and sell said products;
- b) consumer cooperative – an association of natural and legal persons established on a voluntary basis by unifying contributions for joint activities for the purposes of meeting the economic and cultural requirements of members, attracting material and financial resources, and effectively using them on the basis of the principle of mutual assistance;
- c) consumer cooperative union – a voluntary association of the financial resources of consumer cooperatives and other legal persons, the organisational and legal form of which is a cooperative performing its activities in order to meet the requirements of its members and the population;
- d) unit-holder – a natural or legal person who has recognised the statute of a cooperative, has paid the membership fee, and holds units;
- e) representative of consumer cooperative – a person elected at a general meeting of unit-holders for the purpose of participating in a meeting of representatives of the consumer cooperative union;
- f) membership fee to be contributed to consumer cooperatives – the amount a natural or legal person shall pay to join a consumer cooperative;
- g) unit – the monetary or property contribution to a unit trust made by a unit-holder;
- h) unit trust – a fund which consists of contributions and is a source of the formation of the assets of a consumer cooperative;
- i) reserve fund – a fund used to compensate for losses arising from emergencies;
- j) non-distributable assets (fund) – a portion of the total assets of a consumer cooperative (union) which is not subject to distribution to partners during the functioning of the cooperative.

**Article 2 - Legislation on consumer cooperation**

The Legislation on consumer cooperation comprises the Constitution of Georgia, the Civil Code of Georgia, this Law and other relevant legislative and subordinate normative acts.

**Chapter II - Consumer Cooperative – Basic Link of Consumer Cooperation**

**Article 3 - Consumer cooperative – basic link of consumer cooperation**

1. The basic link of consumer cooperation is a consumer cooperative.
2. The activities of consumer cooperatives are regulated by legislation, and the statute of the cooperatives, which shall determine the object and objective of the activities of the cooperative, the procedure for joining it and withdrawing from it, the rights and duties of its members, management and controlling bodies and their powers, the amount of the charter capital, the procedure for the formation of assets and the distribution of profits, the conditions for reorganisation and liquidation, as well as data on branches and representations. The statute may include other provisions which do not contravene legislation.
3. A consumer cooperative shall be a legal person.



#### **Article 4 - Membership of consumer cooperatives, rights and duties of members**

1. Members of consumer cooperatives, or unit-holders, may be natural or legal persons of Georgia, as well as of foreign countries.
2. A unit holder who is a natural person may be a citizen of Georgia, as well as of a foreign country, who has reached the age of 16, and who desires and is able to participate in implementing the goals and objectives of the consumer cooperative.
3. A unit holder who is a legal person may be a legal person registered in accordance with the legislation of Georgia, as well as of a foreign country, who complies with the requirements of the statute of the consumer cooperative.
4. Relations between consumer cooperatives and their members shall be determined on the basis of an agreement.
5. A consumer cooperative is not liable for the obligations of its member, whereas members are responsible for the obligations of the cooperative in proportion to their contribution to the assets of the cooperative.
6. Members of consumer cooperatives shall have the right to:
  - a) participate in the management and activities of the cooperative, elect in and be elected to its managing and controlling bodies, and raise proposals on improving the activities of the cooperative and its controlling bodies;
  - b) exercise privileges and benefits, introduced by the general meeting (meeting of representatives) of the unit-holders of the cooperative, when purchasing goods and enjoying other services.
7. Members of consumer cooperatives are obliged to comply with their statutes, perform the duties entrusted by cooperatives, and ensure the execution of decisions by the general meeting (meeting of representatives) and management and controlling bodies within their delegated powers.

#### **Article 5 - Management and controlling bodies of consumer cooperatives**

1. The supreme management body of a consumer cooperative is the general meeting of unit-holders if the number of member unit-holders is less than 200; if the number of member unit-holders exceeds 200, it is the meeting of representatives, which adopts the statute, determines the amount of compulsory unit contributions, elects executive, governing, and controlling bodies, the board and the revision commission. Members of the board shall not be members of the revision commission. The board performs economic and other activities of the cooperative. The revision commission controls compliance with the statute of cooperative, and economic and financial activities of the organisations and enterprises of the consumer cooperation. The board and the revision commission are accountable to the general meeting (meeting of representatives). The supreme management body resolves other issues related to the activities of the cooperative. The number of the representatives is determined by the general meeting (meeting of representatives) of the consumer cooperative.
2. Each member of the consumer cooperative, regardless of his/her unit contributions, has one vote at a general meeting (meeting of representatives).
3. The management and controlling bodies of consumer cooperatives are elected for the term of 5 years.

### **Chapter III - Consumer Cooperative Unions**

#### **Article 6 - Management and controlling bodies of consumer cooperative unions**

1. In accordance with legislation, consumer cooperatives may voluntarily consolidate into unions according to their territorial, sectoral, professional and other features. The unions may voluntarily establish central unions of consumer cooperatives, in which other legal persons may be recruited.
2. In consideration of its delegated rights, the consumer cooperative union represents and protects the interests of the cooperative and its members at corresponding state and other bodies, and coordinates activities of cooperative organisations, and creates and develops its own production. The union is not liable for obligations assumed by its members, except for cases determined by the legislation of Georgia.
3. The supreme management body of a consumer cooperative union is the meeting of representatives, whereas that of the central union of consumer cooperatives of Georgia and the central union of the consumer cooperatives of the Autonomous Republics of Abkhazia and Adjara is the congress. The meeting of representatives (congress) adopts the statute, and elects the management and controlling bodies of the union, the council and the revision commission. The meeting of the council elects the executive and governing body of the union, the board and the chairman of the board. A member of the council or the board may not be a member of the revision commission.
4. The board and the revision commission of a consumer cooperative union are accountable to the meeting of representatives and, between the meetings of representatives, to the council.
5. The central union of consumer cooperatives of Georgia and the central union of consumer cooperatives of the Autonomous Republics of Abkhazia and Adjara and the revision commission are accountable to the congress and, between congresses, to the council.
6. The consumer cooperatives union and the central union are legal persons.

### **Chapter IV - Assets of Consumer Cooperatives and Their Unions**



## **Article 7 - Assets of consumer cooperatives and their unions**

1. The assets of consumer cooperatives are private property and comprise the property of cooperatives and unions. Unit-holders have their units in the assets.
2. The assets of consumer cooperatives and their unions are formed by the monetary and property contributions of the unit-holders, the sale of goods (services), securities, and revenues gained from other economic activities, charitable contributions, and donations from enterprises, organisations, communities and natural persons, as well as other sources not prohibited by legislation in force.
3. The assets of consumer cooperatives and their unions are managed by the management bodies within their powers as determined by the statute, and in accordance with legislation.
4. The assets of consumer cooperatives are divided into distributable assets and non-distributable assets. The non-distributable assets, for the period of activity of the cooperative, are the guarantee for its existence. The procedure for the distribution of distributable and non-distributable assets is determined by the statute of a consumer cooperative.

## **Article 8 - Legal protection of the assets of consumer cooperatives and their unions**

1. The assets of consumer cooperatives and their unions shall be protected by the Constitution and legislation of Georgia. Buildings constructed by using the funds of consumer cooperatives and their unions and other property shall not be confiscated by state and other bodies, except for cases determined by legislation.
2. The assets of consumer cooperatives and their unions may be alienated by a decision of the supreme management bodies of consumer cooperatives and their unions.

## **Chapter V - Economic and Social Activities of Consumer Cooperatives and Their Unions**

### **Article 9 - Independence and freedom of the activity of consumer cooperatives and their unions**

1. Organisations and enterprises of consumer cooperation are independent and free in their activities. Administrative interference in their activities shall be inadmissible except for cases determined by legislation.
2. Organisations and enterprises of consumer cooperation may, in accordance with legislation, establish enterprises, public organisations and unions of organisational and legal form.
3. The revenues of organisations and enterprises of consumer cooperation are generated through economic and other activities, the sale of securities and other revenues.
4. The obligations of organisations and enterprises of consumer cooperation to the Budget and any possible benefits thereunder are determined by the corresponding legislation.
5. The most important field of the activities of consumer cooperation is to support the leadership of the country in implementing social policy.
6. Any profit remaining after the payment of mandatory taxes is distributed by the general meeting of unit-holders (representatives) in a consumer cooperative, and in a union of consumer cooperatives by the meeting (council) of representatives.
7. Consumer cooperatives and their unions shall, independently or on a contractual basis, set free prices for products intended for industrial and technical purposes, raw materials, public commodities, and agriculture products, and commodities produced or purchased by them, as well as for services provided. The aforementioned does not apply to those products, commodities and services the prices and tariffs of which are regulated by the State.
8. Labour relations in consumer cooperatives and their unions are regulated by labour legislation and the statutes of cooperatives and unions.
9. To implement their objectives, consumer cooperatives and their unions may hire employees independently and determine the procedure for and the amount of remuneration in accordance with legislation.
10. The central union of consumer cooperatives trains required personnel according to the principles of state educational methodology.
11. Disciplinary penalties for persons serving in the electoral bodies of organisations of consumer cooperation, including their dismissal from office, may be imposed by the body that elected said persons, and by the union of consumer cooperatives to which the organisation in question belongs, and in accordance with legislation.

### **Article 10 - Internal cooperatives, international unions and foreign economic activities of consumer cooperation**

1. Organisations and enterprises of consumer cooperation conduct their activities independently, in accordance with their statutes and law. Decisions made by the management bodies within their powers are binding for the corresponding cooperative bodies.



2. The economic relations of organisations and enterprises of consumer cooperation with different institutions, organisations and citizens are developed on a contractual basis.

3. Based on the rights delegated by consumer cooperatives and their unions, the central union of consumer cooperatives represents the interests of consumer cooperation of Georgia at the International Co-operative Alliance and develops relations with other international organisations, and promotes the development of the cooperative movement, as well as the propagation of cooperative principles and values.

## **Chapter VI - Interdependence between the State and Consumer Cooperation**

### **Article 11 - Guarantees of the rights of consumer cooperation**

1. Organisations of consumer cooperation cooperate with the executive bodies of government in providing commercial services to the public, producing, purchasing and processing agricultural products, producing consumer goods, rendering other services to the population, as well as other issues determined by their statutes and legislation.

2. The state authorities shall not interfere with the economic, financial, and other activities of organisations of consumer cooperation, and shall not control them, except for cases determined by legislation.

3. If a state authority, by an unlawful action or by the adoption of a legal act, violates the interests of a cooperative, a union, an enterprise, or a society, the latter may apply to the court for compensation for the damage incurred.

## **Chapter VII - Reorganisation and Liquidation of Consumer Cooperatives and Their Unions**

### **Article 12 - Reorganisation and liquidation of consumer cooperatives and consumer cooperative unions**

1. A consumer cooperative shall be reorganised and liquidated by a decision of the general meeting of unit-holders or the court. After the liquidation of a consumer cooperative, assets remaining after remuneration and after settlement with the Budget, banks and other creditors, shall be distributed among the member unit-holders of the consumer cooperative in accordance with the statute and legislation.

2. A consumer cooperative union shall be reorganised and liquidated by a decision of the meeting of representatives or the court.

3. The central union of consumer cooperatives of Georgia and central unions of consumer cooperatives of the Autonomous Republics of Abkhazia and Adjara shall be reorganised and liquidated by a decision of the congress or the court.

4. After the liquidation of a union or the central union of consumer cooperatives, the assets remaining after the remuneration and after settlement with the Budget, banks and other creditors, shall be distributed among the members of the union in accordance with the statute and legislation.

## **Chapter VIII - Transitional Provisions**

### **Article 13 - Measures to be carried out in connection with the entry into force of this Law**

1. Before 1 January 1998, the Georgian National Alliance of Consumer Co-operation (TSEKAVSHIRI), shall specify the number of unit-holders and ensure the allotment of cooperative assets to them.

2. Before 1 October 1997, the Georgian National Alliance of Consumer Co-operation (TSEKAVSHIRI), and its cooperative organisations and communities, shall harmonise their statutes with the Law on Consumer Cooperation.

## **Chapter IX - Final Provisions**

### **Article 14 Entry into force of the law and legal act to be voided**

1. This Law shall enter into force upon its promulgation.

2. Upon the entry into force of this Law, Ordinance No 270 on Consumer Cooperation in the Republic of Georgia of 27 December 1993 of the Head of State, shall be considered invalid.



Tbilisi

15 May 1997

No 713-III

