1 Participation in a Sector

Core Principles	Implementing Core Principles	Underlying Reasons
Promote access to markets	**Eliminate corporate form requirements.** Sector specific regulations should not dictate the corporate form of a business in a manner that excludes cooperative participation.	Cooperative businesses can and should be permitted to operate in any sector of the economy.

Enabling Example: ***International Labor Organization Rec. No. 193, § 7(2), 2002:*** "Cooperatives should be treated in accordance with national law and practice on terms no less favourable than those accorded to other forms of enterprise and social organization."

Disabling Example: ***Honduras:*** Regulatory statutes require that insurance companies be stock corporations, effectively barring cooperative entry.

Promote access to markets *(de facto)* **Promote equitable treatment**	**Accommodations in regulatory requirements.** Regulatory frameworks should avoid onerous requirements, including high capital reserve requirements in banking and insurance industries that are designed for large businesses.	Cooperatives commonly cater to populations that are underserved by traditional businesses, including poor or dispersed populations that cannot support high capital requirements or meet other regulatory requirements imposed on much larger businesses.

Enabling Example: ***World Council of Credit Unions, Inc. Model Credit Union Law, 2005:*** "Institutional capital of a credit union should be maintained at a minimum level of 10 percent relative to the credit union's risk weighted assets."

Disabling Example: ***Peru:*** Insurance regulations impose high minimum capital requirements that inhibit the formation of small insurance cooperatives that exist in many other countries.

2 Interconnection

Core Principles	Implementing Core Principles	Underlying Reasons
Promote access to markets **Protect due proces**	**Right to interconnect at non-discriminatory rates.** In infrastructure industries, such as telecommunications and electricity, new entrants must have a right to interconnect to the system of the dominant supplier at regulated, nondiscriminatory rates in order to serve consumers.	Monopolies in infrastructure industries often have strong incentives to refuse to deal with competitors or provide services at unreasonable rates.

Enabling Example: ***Poland, 1990:*** Under the privatization framework allowing new companies to compete with the dominant former state monopoly, two cooperatives (WIST and Tyczyn) negotiated interconnection and revenue sharing arrangements with the dominant provider.

3 Regulatory Framework

Core Principles	Implementing Core Principles	Underlying Reasons
Provide coherent and efficient regulatory framework	**Standardized reporting forms.** Standardized reporting forms may be provided by the government to enable efficient reporting.	Standardized quality control measures provide the government and lenders with a way to perform monitoring and benchmarking.

Enabling Example: ***United States:*** The Rural Electrification Administration requires electric cooperatives to submit a standardized "Form 7" to report operating and financial data. A similar method has been adopted in Bangladesh and the Philippines.

Promote equitable treatment	**Authority to set cost-based rates.** Regulatory systems should allow cooperatives to set rates adequate to cover the cost of their service provision; rate regulation should not impose arbitrary price restrictions based on the cost of subsidized or lower-cost suppliers.	Cooperative utilities often serve areas that are more expensive to serve and therefore arbitrary rate caps, based on the costs of the dominant supplier, may be confiscatory as applied to a cooperative.

Enabling Example: ***United States:*** Cooperatives are frequently exempted from state regulation of electricity rates in recognition of the democratic character of cooperatives.

4 Access to Finance

Core Principles	Implementing Core Principles	Underlying Reasons
Promote equitable treatment	**Incentives to serve underserved areas.** Governments may promote the development of cooperatives by extending loan guarantees or direct government loan finances to lower the cost accessing credit.	Without government guarantees or other provisions, cooperatives may face higher cost of capital on private markets than large private businesses. In addition, access to lower cost capital may be used to assist the cost structure of cooperatives that serve poor, dispersed, or other peripheral communities that are more expensive to serve.

Enabling Example: ***United States Rural Electrification Act, 1936:*** Cooperatives are given access to government subsidized low-cost credit and preferential access to low-cost government-owned power sources.

5 Taxation

Core Principles	Implementing Core Principles	Underlying Reasons
Promote equitable treatment	**Distinguish between member and non-member transactions.** Surplus distributed in proportion to a member's patronage of a cooperative should be exempted from taxation. Income derived from non-member transactions may be subject to the same income taxes as other corporations.	Surplus distributed in proportion to patronage of the cooperative is not profit but rather is refunded from excess charges. Where a cooperative transacts with non-members and charges above its cost, the surplus income may be considered profit and taxed accordingly.

Enabling Example: ***United States:*** Net margins are not taxable income to both the cooperative and the patron if they are distributed to patrons on the basis of business done with the cooperative.

Disabling Example: ***Russia, 1990s:*** Cooperatives are taxed based on their revenue, not a measure of profit, and therefore are burdened with very high tax rates.

6 Competition

Core Principles	Implementing Core Principles	Underlying Reasons
Promote equitable treatment	**Exemptions for cooperatives.** Competition law prohibitions on joint action between businesses should contain exemptions for cooperatives.	Many competition laws prohibit concerted conduct by independent businessmen, such as agreeing on prices, terms of sale, and to whom to sell. Such conduct is commonly undertaken by farmers and others that operate cooperative marketing associations, thus necessitating a legislative or interpretive exemption from competition laws.

Enabling Examples:

United States Capper-Volstead Act, 1922: Provides limited antitrust exemption for cooperative marketing associations that meet cooperative principles.

Philippines Cooperative Code, § 8, 1990: "No cooperative or method or act thereof which complies with this Code shall be deemed a conspiracy or combination in restraint of trade or an illegal monopoly."