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A sectoral organisation of the International Cooperative Alliance (ICA)



Promoting cooperatives and the Social Economy in Greece

How to promote the social economy in Greece
through social cooperatives, worker cooperatives,
and cooperatives of artisans and of SMEs

Final report to the ILO

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Introduction

CICOPA is pleased to deliver to the ILO this report on how the experience of cooperatives and cooperative support institutions from its world-wide network could concretely and substantially contribute to Greece's sustainable economic recovery.

A very clear observation has been made by a number of authors: cooperatives in general, and cooperatives from the CICOPA world-wide network in particular, have generally fared better under the ongoing crisis, now in its sixth year, than other enterprises of similar sectors, sizes and countries. Not only the evidence, but also the reasons for such resilience have been analysed by CICOPA and CICOPA regional bodies, other cooperative organisations as well as the ILO itself in a series of surveys, reports, books and documentary films. Suffice it here to underline that this is a creative type of resilience, one which blends with a good deal of innovation of all types (organisational, social, managerial, technical).

As in previous crises, cooperatives are again showing that they are a key pillar in the development of a social economy. Social, worker, and artisans' cooperatives play a specific role in this, in many industries and services and in both urban and rural areas: in countries where both cooperatives in general and worker, social and artisans' cooperatives in particular are highly developed (eg Italy, France, Canada, Spain or Brazil), we can observe that the latter typologies of cooperatives contribute to reinforcing other types of cooperatives as well, such as agricultural, consumer and banking cooperatives, as well as other types of social and solidarity economy initiatives.

In the first part of this report, we will briefly summarize the challenges facing Greece as well as the existing cooperative and social economy context, both in terms of regulatory framework and of the reality on the ground.

In the second, more extended part, we will try to summarize some CICOPA network's experience and expertise in different countries across the world, which appears to be particularly relevant to the Greek context today, such as business transfers to the employees of enterprises on the verge of closing down, the integration of vulnerable groups, social services to small children and the elderly, the rural economy, artisans' groupings, tourism, economic organising among immigrants, multi-stakeholder and mixed forms of cooperatives. This section is aimed at stimulating the imagination of the reader, and make him/her understand the potential of cooperatives and the large international experience that could be put to good use in Greece.

In the third part of this report, we will describe the international coordinating experience of CICOPA itself, in running complex development projects, stimulating the setting up of national cooperative federations, elaborating world sectoral cooperative standards, as well as analysing and advising on a vast array of cooperative legislation.

In the fourth and last part, we provide a series of recommendations based on CICOPA's own development experience on how to launch a social economy project grounded in the promotion of cooperatives in Greece in the near future.

We hope that this report will be of immediate use to the ILO and to the Greek government and civil society. We are convinced that the social institutions in Greek society constitute a solid terrain on which worker, social and artisans' cooperatives can be organised and a social economy can be developed, which, in turn, could substantially contribute to a much needed and well deserved economic recovery.

Bruno Roelants
CICOPA Secretary General
28 August 2013

PART 1. THE SITUATION IN GREECE

1.1. THE SOCIAL IMPACT OF THE CRISIS

After a decade of fast growth, Greece over the last five years has been going through one of the most severe financial and economic crises in its history, with a significant social impact in terms of increasing unemployment, inequalities and poverty.

The contraction of Greece's GDP has been continuous since 2011, with a further 6.5 per cent downturn in 2012. The recession has been hitting employment particularly hard: according to Eurostat, Greece has the highest unemployment rate (27.0 % in February 2013) of all EU Member States, followed by Spain (26.8 %) and Portugal (17.8 %). In addition, Greece registered the highest acceleration of the unemployment rate: 21.9% to 27.0% between February 2012 and February 2013. Youth unemployment has further increased, reaching more than 50 per cent. Future prospects appear difficult to emerge: Greece is expected to continue losing jobs, even if at a lower rate than in 2012. In 2014, employment is expected to contract by another 0.5 per cent¹.

It is beyond the scope of this document to analyse the in-depth causes of the Greek economic crisis. Suffice it here to mention that the austerity measures taken to reduce fiscal deficits in the context of the Memorandum of Economic and Financial Policies agreed with the EU, the ECB and the IMF in May 2010 have definitively worsened the impact of the crisis on the Greek population. The economic programme supported by the Troika made up of the European Commission, the International Monetary Fund and the European Central Bank since May 2010 envisages a sizable fiscal consolidation, cuts in real wages, pension reductions, and fundamental structural reforms in the public sector and in product and labour markets.

As a result of the fiscal squeeze, health and personal social services (such as child care and social care for the elderly), as well as education, have suffered funding cuts, which have affected both the quantity and quality of services provided. First, fiscal austerity has taken its toll on public hospitals and other health services. The Minister of Health's 2011 directive called for a 40% reduction in hospital budgets, and spending on mental health decreased by 45%, despite much greater need as a consequence of the crisis. Suicides hit record levels, increasing by 25 percent from 2009 to 2010 and by an additional 40 percent from 2010 to 2011. The deterioration of public health is further evidenced by reduced access to health care services and by an increase of 52 percent in HIV infections from 2010 to 2011. Drug prevention centres and psychiatric clinics have closed down due to budget cuts².

¹ Eurostat, *News release euroindicators*, 82/2013 - 31 May 2013:

http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-31052013-BP/EN/3-31052013-BP-EN.PDF

² Alexander Kentikelenis and Irene Papanicolas, *Economic crisis, austerity and the Greek public health system*: <http://eurpub.oxfordjournals.org/content/early/2011/12/22/eurpub.ckr190.full>

According to Eurostat, in 2011, 31% of the Greek population was at risk of poverty or social exclusion (compared to 28.1 % in 2008): the income distribution has shifted towards lower incomes and the rate of Greek at-risk of poverty is among the highest in the EU-27, together with Bulgaria, Romania and Spain. Many people, and in particular the most vulnerable categories such as children, the youth, women, the elderly, immigrants³ etc. can slide into one of the following three conditions: at-risk-of-poverty, material deprivation or below the poverty threshold⁴. However, the budget cuts are not reducing the debt rate: indeed, after a decrease in 2012, the Greek National Debt has risen again from 303,918 million € in 2012 to 305,291 million € in the first trimester of 2013 (160.50% of the GDP)⁵. The crisis thus puts in focus the need to support the real economy and territorial development, through a sustainable creation and distribution of wealth based on the development of those economic activities which can best respond to people's needs.

Within the real economy, cooperatives have a specific impact on territorial development because they are, by definition, aimed at satisfying the needs and inspirations of people in the territory in which they are embedded⁶. In particular, two types of cooperatives play an important role in creating stable jobs and economic activities or maintain them where they are threatened (worker cooperatives), delivering social inclusion through work to vulnerable groups of citizens and providing health, social, educational, cultural and environmental services for the general interest of the community (social cooperatives).

Given the composition of the Greek GDP (agriculture: 3.4%; industry: 16%; services: 80.6%)⁷, cooperatives active in industry and services, namely worker and social cooperatives, have a huge potential for job and wealth creation in this country, provided they are adequately supported in their creation and development while taking into consideration their need for autonomy and grassroots participation, which is inherent to their very nature and functioning logic. Furthermore, the longevity and stability of the cooperative business model even in times of crisis, which has been proved by different studies⁸, should be a tell-tale sign and source of inspirations for other types of enterprises.

³ Immigrants make up nearly one-fifth of the work force in Greece, mainly in agriculture and unskilled jobs: <https://www.cia.gov/library/publications/the-world-factbook/geos/gr.html>

⁴ Eurostat, *People at risk of poverty or social exclusion*, data from January 2013: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/People_at_risk_of_poverty_or_social_exclusion#Further_Eurostat_information

⁵ <http://countryeconomy.com/national-debt/greece>

⁶ According to the ILO Recommendation 193/2002, a cooperative is "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise"

⁷ CIA, *The World Factbook*, data from 2012: <https://www.cia.gov/library/publications/the-world-factbook/geos/gr.html>

⁸ Birchall J. and Ketilson L. H. (2009), *Responses to the Global Economic Crisis - Resilience of the Cooperative Business Model in Times of Crisis*, Geneva: ILO; Sanchez Bajo C. and Roelants B. (2011), *Capital and the Debt Trap. Learning from cooperatives in the global crisis*, Basinstoke: Palgrave Macmillan; Zevi A. et al. (2011), *Beyond the Crisis: Cooperatives, Work, Finance - Generating Wealth for the Long Term*, Brussels: CECOP Publications; B. Roelants B., Eum H., Terrasi E.& Dovgan D., *The resilience of the cooperative model. How worker cooperatives,*

1.2. EVOLUTION AND STATE OF THE ART OF COOPERATIVES AND THE SOCIAL ECONOMY IN GREECE

Like in many countries, the history of cooperatives in Greece is older than is generally known. In 1874, Frenchman Louis Boulanger, who lived for decades in Greece, wrote: *“The Greek people have innate the sense of the fraternity of cooperatives ... Greece will now perform, under the state of freedom, what it already started under the state of slavery, before other nations ...The weights were allocated depending on the capacity of every citizen ...and there was a fertile ground for big production, agricultural, industrial and navigational cooperatives to be established ... They had been founded on equitable distribution of profits, based on the labour offered ...They were maintaining a reserve fund for the education of the children, for the orphans, the widows and the sick people”*⁹.

The main types of cooperatives that have developed in Greece are agricultural and rural credit cooperatives. When the first cooperative legislation (for all types of cooperatives) was established in 1915, only very few Western-educated agronomists had established cooperatives¹⁰. The new legislation was largely a government initiative, aimed at solving market failures and curbing usury which was rife in the Greek countryside. A period of strong development of agricultural and rural credit cooperatives ensued, reinforced by the population exchange between Greece and Turkey, by which over 2 million ethnic Greeks arrived from Turkey after the First World War, and by the establishment in 1929 of the Agricultural Bank of Greece. At the beginning of the 1930s there were over 3000 primary level cooperatives and 85 secondary level ones¹¹. The economic development but also the autonomy of Greek agricultural and rural credit cooperatives became so significant that other lobbying groups sought to curb their importance. Amendments to the cooperative law in 1930 caused a substantial weakening of the economic importance of cooperatives, and substantially reduced their autonomy from the state: cooperatives seem to have been used by successive governments (including the military dictatorship between 1967 and 1974) as an instrument of their own agricultural policies.

In 1979, Greece abandoned the unitary cooperative legislation and engaged in a system with different parallel laws, with the approval of the first exclusively agricultural cooperative law, which underwent significant amendments in 1981 which, again, allowed cooperatives to be used as political instruments. Successive legal changes made agricultural cooperatives even more dependent on the political forces as regards the choice of their leaders¹². As a result, agricultural cooperatives were again weakened economically, as had happened in the 1930s; huge debts accumulated among them in the 1980s and

social cooperatives and other worker-owned enterprises respond to the crisis and its consequences, Brussels: CECOP Publications, 2012

⁹ Georgios Daskalou, *Civil and agricultural cooperatives* p. 61, quoted in Kapa Network, *A Report about the Greek Cooperative Legislation environment*, 2012

¹⁰ Constantine Iliopoulos, *The Evolution of the Greek Cooperative Law - From the First to the Last Order of Economizing*, 1980, Mimeo, p. 13

¹¹ *Ibid.*, p. 14

¹² *Ibid.*, p. 15-20

1990s, and their market shares fell by around 50%¹³. In 2009, cooperatives in Greece were 6376 units, and had 713,714 members, against 948,965 in 1985¹⁴.

The interference exercised by political forces could help explain the hurdles met by Greek cooperatives in the establishment of an independent and effective cooperative movement. Apart from Paseges, the national-level federation of agriculture cooperatives created in 1935, there seems to be few other federations, whose representativeness and concrete operational capacity are difficult to assess: the Panhellenic Federation of Social Cooperatives Limited established in 2011, the Electricians' Cooperatives Federation, the Plumbers' Cooperatives Federation "Poseyd" established in 1980 and the Pharmacists' Cooperatives Federation established in 1998¹⁵.

The following table¹⁶ is a 2012 summary of the numbers of social economy structures, their employees and members. If we put aside the associations, whose enormous estimated number (50 000 units) and wide range of activities and objectives makes it controversial to hypothesise that they all belong to the social economy as internationally understood, the agricultural cooperatives appear to be the main category, followed by housing cooperatives and cooperative banks. A substantial amount is made up of cooperatives of small enterprises (plumbers, electricians, agro-tourism). The limited liability social cooperatives (actually social cooperatives integrating people with mental disease) were reportedly only 16. When this article was published, the social cooperatives under the 2011 law (see next section) could not be categorized yet as this law had just been approved.

¹³ Constantine Papageorgeou, *Usage and Mis-Usage of Co-operatives. The Example of Greece*, in *The International Journal of Cooperative Studies*, September 2010, p 34-45

¹⁴ George Kokkidinis, *(Agro)topia, a Critical Analysis of the Agricultural Cooperative Movement in Greece*, PhD Thesis, Leicester University School of Management, 2010, Mimeo

¹⁵ Ioannis Nasioulas, *Greek Social Economy at the Crossroads*, 2011, p. 78

¹⁶ from Ioannis Nasoulias, *Social Cooperatives in Greece - Introducing New Forms of Social Economy and Entrepreneurship*, *International Review of Social Research*, June 2012, p 151-172

[Table 1] The Social Economy in Greece

Table 1. The Social Economy in Greece

The Social Economy in GREECE 2012 (1)	N° enterprises	N° Jobs	Members
Cooperatives and other similar firms.			
TOTAL	7.197	14.983	1.052.785
- Cooperative banks	25	1.238	196.179
- Agricultural Cooperatives	6.376	11.300	713.714
- Housing Cooperatives	545	n/a	120.242
- Electricians' Cooperatives	23	200	600
- Plumbers' Cooperatives	33	200	2.500
- Women's agro-tourist cooperatives	130	100	2.000
- Pharmacists' cooperatives	41	1500	5.500
- Limited Liability Social Cooperatives	16	400	2.000
- Mutual Insurance Cooperatives	7	40	10.000
- Sea Mutual Insurance Cooperative	1	5	50
Mutual Societies and other similar forms.			
TOTAL	11	1.140	180.000
- Mutual Help Funds	4	1.100	150.000
-Occupational Insurance Funds	7	40	30.000
Associations, foundations and other nonprofit and voluntary organisations.			
TOTAL	50.600	101.000	1.500.000
- Associations in general	50.000	100.000	1.500.000
- Foundations	600	1.000	-
- Civil non-profit companies	n/a	n/a	n/a
SOCIAL ECONOMY TOTAL			

Source: Nasioulas, 2012.

The table above does not include new types of cooperatives that have sprung up over the last few years or even months. Consumer cooperatives seem to have been very few till recently; one of the few old ones is INKA, established in Crete with a first super market opened in 1979. Starting with six employees, it now has 25 branches and 606 workers, and an annual turnover approaching € 150 million.¹⁷ Consumer cooperatives seem to have been multiplying over the last few years and months. An article mentions the recent establishment of a consumer cooperative, ELGI, in a Northern Athenian suburb, with 230 members, and it seems to be expanding¹⁸. Another consumer cooperative, Bios Coop, seems to be in the making in Thessaloniki¹⁹. Other recently established consumer cooperatives are THALIN and ALLILEGION, both in the Athens agglomeration²⁰.

A handful of worker cooperatives have been established since 2008 in large cities. For example, in Athens we find Pagkaki, Syggrouomeno and European Village which are coffee shops; Syn Allois is an importer and seller of fairtrade goods; Syn Apeiro is a jewellery store; Ekdoseis ton Sinaderfon is a

¹⁷ <http://www.inka-sm.gr/CompanyProfile/index.el.html>

¹⁸ Ioanna Fotiadi, Ekathimeridi.com, 16 March 2013, http://www.ekathimerini.com/4dcgi/_w_articles_wsite6_1_16/03/2013_488087

¹⁹ Artivist e-magazine, 15 April 2013, <http://www.artivist.gr/en/bios-coop-thessaloniki-2/#.UioKtT8UO3Z>

²⁰ <http://www.thalein.gr> and <http://www.allilegion.gr>, information provided by KAPA Network

publisher/bookstore; Stin Priza is a computer repair shop; we also find a Collective Courier or Poioi eimaste.²¹ A company producing chemical products for the construction sector, VioMe in Thessaloniki, has been making national and international headlines since it was closed down and its employees resumed production in February 2013, apparently surviving so far under the new management. Although it is working like a worker cooperative, however, the VioMe staff presently has no proper legal coverage.

Finally, social cooperatives registered under law 4019/2011 on “Social Economy and Social Entrepreneurship and other provisions” reportedly are 97 enterprises already, with 920 members, most of which are of the “Collection and Production Purpose Social Cooperative Enterprise” sub-type, which is the one most akin to worker cooperatives (see section 1.3. “Analysis of the existing relevant legislation” below)²².

Different sources seem to attest a low development and weak performance of the social economy in Greece. “Fragmentation of efforts and lack of critical mass, low levels of skills and capacity, the absence of role models and champions, and the difficult access to finance”²³. The above mentioned article by Ioannis Nasoulas points out the deficiencies in monitoring the cooperatives and the social economy in Greece.

“The public image of social economy actors has suffered from bad examples and by complicated, incoherent and unclear legal and administrative frameworks as well as insufficient monitoring and funding schemes”... “This image has further been fuelled by complicated, incoherent and unclear legal and administrative frameworks, insufficient monitoring and funding schemes that tend to preserve inefficient structures rather than providing incentives and assistance to structural change”²⁴. It is no coincidence that especially now we observe some important initiatives aimed at encouraging the development of the social economy in Greece and an increased focus on it can be expected in the next few years.²⁵ The development of the social economy in Greece is strongly supported by the EU structural funds: strengthening social economy is now considered as one of the main intervention axes in the National Strategic Reference Framework (2007-2013)²⁶.

In the meantime, the Greek government and the European Commission (DG Employment, Social Affairs

²¹ <http://pagkaki.org>; <http://syggrouomeno.gr>; <http://www.european-village.org>; <http://synallois.org>; <http://www.synapeiro.gr>; <http://ekdoseisynadelfwn.wordpress.com>; <http://stinpriza.org>; <http://www.collectivecourier.gr/index2.html>, information provided by Vasili Revelas, USFWC

²² See *Social economy - laying the groundwork for innovative solutions to today's challenges, Comments Greece - Peer Review on the social economy (2012)*, p. 5

²³ *Outline Strategy and Priorities for Action to develop the Social Economy and Social Entrepreneurship in Greece*, p. 2-3

²⁴ *Ibid*, p. 13- 14

²⁵ *Social economy - laying the groundwork for innovative solutions to today's challenges, Comments Greece - Peer Review on the social economy (2012)*, available here:

<http://ec.europa.eu/social/main.jsp?catId=89&langId=en&newsId=1397&moreDocuments=yes&tableName=news>

²⁶ *Ibidem*, p.8

and Inclusion) are discussing how the ESF resources could best be used to launch an integrated support package for the development of an eco-system for the social economy. A Steering Committee was established in 2011 for this purpose, a group of independent Greek and European experts appointed jointly by the Greek Ministry of Labour and Social Security and the Employment, Social Affairs and Inclusion General Directorate of the European Commission, in order to provide strategic guidance and expert advice to the authorities in charge of the implementation of the social economy agenda in Greece.

The Steering Committee produced a document called *“Outline Strategy and Priorities for Action to develop the Social Economy and Social Entrepreneurship”* in January 2013 which designs a comprehensive action plan based on four main axes:

Axis 1: An enabling ecosystem for the Social Economy

Axis 2: Direct financial support for starting and developing a social enterprise

Axis 3: Access to finance to consolidate and scale social enterprises

Axis 4: Good governance and public sector capacity building

For the purpose of this report, it is worth underlining that this action plan envisages:

- The creation of support centres both at national and regional/local level to support the start-up, development and growth of social enterprises which fulfil the conditions described by Law 4019/2011 on “Social Economy and Social Entrepreneurship and other provisions” (under Axis 1), which, let us remember, exclusively establishes cooperatives;
- The establishment of a comprehensive regulatory and administrative framework to facilitate access of social enterprises to public markets, and make best use of it 5 (under Axis 1);
- Direct financial support is envisaged (under Axis 2) both for new social economy enterprises and transformation of existing entities (such as business transfers to cooperatives);
- Establishment of a task force of social finance experts and investors from Greece and other European countries to explore the feasibility of a public private partnership to set up a wholesale fund, and to build capacities for developing a social investment market (under Axis 3);
- Facilitate transnational learning as to how to assist the development of the social economy, across the whole spectrum of organisational arrangements and legal forms.

The action plan that we briefly described above addresses some key-factors for a successful development of social economy enterprises in Greece, in compliance with the provisions of Law 4019/2011 even if, similarly to the Law, the use of the term “Social Economy” seems to be restricted to cooperative organisational forms²⁷.

²⁷ “The peculiarity of Law 4019/2011 investigated here is that it practically restricts the scope and inner constitution of Social Economy into three main organizational forms: 1. Social Cooperative Enterprises of the Law 4019/2011; 2. Limited Liability Social Cooperatives of the Law 2716/1999; 3. Civil Cooperatives of the Law 1667/1986 when compatible with the criteria set by Law 4019/2011, Art. 2 and 14. (...)This legislative act should then be named as “Law on Social Cooperative Enterprises”. Thus the utilization of the term “Social Economy” is misleading; the

In particular, the action plan insists on the importance of enabling stakeholders through financial and operational support (where transnational learning could play a crucial role) on the one hand and building capacities in the public sector on the other. These two points are both essential for the promotion of cooperatives and other social economy enterprises in Greece but another critical success factor should be carefully taken into account, according to CICOPA's experience: the establishment of a third actor, namely a coherent system of representation for all cooperatives in Greece, able to dialogue with public authorities and other stakeholders and translate the cooperative local development experience into regional and national public policies and legislation.

Some among the obstacles to the development of cooperatives and the social economy seem to be particularly urgent:

- A fragmentation of bottom-up initiatives;
- limited understanding of cooperatives and the social economy in the public administration and the general public;
- lack of cooperative education;
- missing high quality and accessible start-up services to cooperatives and other social economy enterprises;
- lack of financial support for the starting up and developing cooperatives and other social economy enterprises;
- difficult access to capital;
- complicated access to public markets due to insufficient use of social clauses in public procurement.

What are the needs?

- Improve the administrative and legal framework (in particular the institution of indivisible reserves);
- Ensure a coordination between the responsible ministries and administrative services;
- Improve skills and competence of public officials, administrators and intermediaries and service providers in applying the existing regulatory framework;
- Changes in favour of autonomy from politics and profit-seeking operators;
- Combining a top-down process with a bottom-up one: mobilisation of stakeholders and creation of horizontal groups and support entities (advisory, training and business development support);
- Promotion of representative and intermediary bodies such as confederations and involve these bodies in the design and implementation of policies;
- Combining a national approach with a regional approach, evolving both national and local authorities and administrative bodies. Regionally adapted pilot projects in partnership with local stakeholder and local authorities;
- The creation of awareness on the role of cooperatives should be implemented and social economy;
- Transfer of experiences and expertise from other countries : transnational cooperation work (as

concept of Social Economy is not substantially utilized in the body of the Law thus proving to be superfluous and of no real practical or legal consequence", p. 7 and 13 in Ioannis NASIOULAS, *Greek Social Economy at the Crossroad*, 2011

recommended also in the *Outline Strategy and Priorities for Action to develop the Social Economy and Social Entrepreneurship in Greece*²⁸;

- Set up a coherent system of accountability in order to measure the effective impact of cooperatives and social economy entities in terms of social, environmental and community impact.

1.3. ANALYSIS OF THE EXISTING RELEVANT LEGISLATION

Four main different cooperative legislations have been found to be in force in Greece today:

- Law 1667/1986 on “Civil cooperatives and other provisions”
- Law 2716/1999 on “Modernizing mental health services and other provisions”
- Law 2810/2000 on “Agricultural Cooperative Organisations” with amendments introduced by law 4015/2011
- Law 4019/2011 on “Social Economy and Social Entrepreneurship and other provisions”.

Although only two of these four laws have the word “cooperative” in their title, all four are cooperative laws, in the sense that the only form of enterprise which is foreseen by the law and is established through the law is a cooperative. Not only the term “cooperative” is clearly used in all articles regarding registration, governance (general assembly, board etc.), control and dissolution, but all minimum provisions regulating the functioning of cooperatives are clearly enunciated, although not grouped together in one article, such as the “one person one vote” principle, the non or limited remuneration of cooperative shares, the redistribution according to the transactions of members with the cooperative (when there is redistribution), and the constitution of reserves. Even inter-cooperation (cooperative principle 6) is covered by articles concerning the establishment of unions and federations of cooperatives, although different denominations are used. The first cooperative principle (voluntary and open membership), although not clearly worded, is implicit in all four legislations, being limited, evidently, to the typologies of members foreseen by each of these laws. In turn, cooperative principles that are seldom covered by legislation (4 autonomy and independence, 5 information, training and education, and 7 concern for community) are also not explicitly mentioned in these laws, except for the 2011 law on “social economy and social entrepreneurship”, which expresses an explicit link with the community.

At the same time, these four laws, and in particular the first two, have important shortcomings and are incomplete as compared to international standards, especially in terms of enactment provisions and supervision. Inter-cooperation (6th cooperative principle) is strongly limited by the absence of second degree cooperatives, which have proved to be absolutely critical in the evolution of cooperatives in different sectors all over the world (such as in agriculture, banking or distribution), including in the evolution of worker and social cooperatives active in industry or services, as we will see from the

²⁸ P XIII

international experience reported in the next part of this report. These laws also do not foster information, training and education (5th cooperative principle) nor financial instruments for the promotion of cooperatives²⁹.

Another important common point between these 4 laws is the absence of mandatory indivisible reserves (or “asset lock”, meaning that after dissolution/liquidation of the cooperative and payment of any outstanding debt, these reserves cannot be redistributed to members but are normally used for the development of cooperatives), in the way they are understood in countries or regions like France, Italy, Spain, Portugal, Quebec or Argentina, where the development of productive cooperatives owes much to the existence of this type of reserves. In particular, neither the development of Mondragon in Spain nor the development of large consortia of social, industrial and service cooperatives in Italy would have been thinkable without indivisible reserves. Indivisible reserves are indicated in cooperative principle 3 as an option, but are not a necessary condition to consider that a cooperative legislation really establishes cooperatives. The only of these four laws where indivisible reserves seem to be an option is the 2011 one, where outstanding assets should be “made available to the social economy fund” also foreseen by the law, although “upon completion of the liquidation, balance may be redistributed”.

We will not further examine Law 2716/1999 on “Modernizing mental health services and other provisions” because the type of cooperatives being established under this law, namely the “Limited Liability Social Cooperatives” or “Koispe” is limited to care to mental health patients and because cooperatives dedicated to this specific type of social care can now be re-registered under the 2011 law on “Social Economy and Social Entrepreneurship”. Let us now turn to the 3 remaining laws.

Law 1667/1986 on “Civil cooperatives and other provisions” regulates a wide range of cooperative typologies, including producers’, consumers’, supply (users’), credit and tourism. In addition, electrician cooperatives, plumbers’ cooperatives, women’s agrotourism cooperatives and pharmacists’ cooperatives have been established under this law as well. Also housing cooperatives, and mutual Insurance cooperatives are recognized as a form of civil cooperatives and governed by complementary specific laws or decrees³⁰. The two social cooperative laws (law 2716/1999 and law 4019/2011) which we will examine below are also based on law 1667/1986 on civil cooperatives, except for specific provisions which are enshrined in these two laws. Thus, law 1667/1986 can be considered as a basic law for non-agricultural cooperatives. However, the typologies of worker cooperatives, social cooperatives and artisans’ cooperatives are not clearly worded in this civil cooperatives law. Whereas social cooperatives are clearly covered by law 4019/2011 (see later), it is possible to establish worker cooperatives with this legislation and indeed several Greek worker cooperatives have used it. Nevertheless, the minimum number of founding members is as high as 15 (except for consumers’ cooperative, in which case it is 100, and housing cooperatives, in which case it is 25), which is particularly high for worker cooperatives in start-up mode (whereas it can be appropriate for cases of business transfers to the employees under the cooperative form, where the number of employees is often higher than 15). The minimum number of

²⁹ Kapa Network, *Report about the Greek Legislation*, 2012

³⁰ According to Nasioulas “Greek Social Economy at the Crossroads”, 2011, p. 77-88 and email communication from KAPA Network

founding members is now much lower in most cooperative legislations in the world, at least for worker cooperatives,³¹ and this number of 15 is, by comparison, abnormally high.

In turn, precisely because of the minimum number of members, this legislation seems to be more adapted to cooperatives of SMEs or micro-enterprises, such as artisans', professionals' or tourism cooperatives (grouping individual tourism operators) which can more easily gather 15 members at the date of establishment than worker cooperatives.

Law 4019/2011 on "Social Economy and Social Entrepreneurship and other provisions" establishes and regulates a category called "Social Cooperative Enterprise (Koin.S.Ep.)", which, in turn, is divided into 3 distinct sub-categories:

a) Social Integration Cooperative Enterprise, corresponding to the "work integration social cooperative" sub-category under CICOPA's "World Standards of Social Cooperatives" (described below under sections 2.1. and 3.4.), dedicated to the integration through work of "people belonging to vulnerable groups". A minimum of 40% of the workers must belong to this category (which is higher than comparable laws in Italy or Finland,³² but still not exaggeratedly high for an effective social reintegration of vulnerable persons, according to the Italian experience in this field, which is the largest one in the world).

b) Social Care Cooperative Enterprise, which produces goods or services aimed at social care for "specific population groups such as the elderly, infants, children, people with disabilities and people with chronic diseases". The expression "such as" means that this sub-category is not limited to the care of these groups.

c) "Collection and Production Purpose Social Cooperative Enterprise", which relates to the production of goods and services to meet the needs of community (culture, environment, ecology, education, public utility, the use of local products, the preservation of traditional activities and professions, activities aimed to promote the local and collective interest, employment, strengthening social cohesion and empowerment of local or regional development). This sub-category was not part of the initial law proposal and it was added just before the law 4019 was voted by the parliament.³³ Through this sub-category, law 4019/2011 can be used to establish and regulate a large portion of what would be categorized in other countries and under the CICOPA world standards (World Standards of Social Cooperatives and World Declaration on Worker Cooperatives, see sections 2.1. and 3.3. below) as either social cooperatives or worker cooperatives, although part of the worker cooperatives may find it easier to be registered under the 1986 law on "civil cooperatives".

Logically, many cooperative founding groups would have tended to use the 2011 law rather than the 1986 one because of complete detaxation of surpluses, which is not the case for the 1986 law. However, article 10.3 about the non-taxation of surpluses earmarked for the reserve fund was amended in

³¹ Over the last few years, this minimum number has been lowered, e.g., from 7 to 3 in Germany, from 9 to 3 in Italy, and from 20 to 7 in Brazil.

³² See Roelants B. ed. (2009) *Cooperatives and Social enterprises – Governance and Legal Frameworks*, Brussels: CECOP Publications, Annex *Comparative table of existing legislation in Europe*, p. 129

³³ Communication Kapa Network

February 2013, and these surpluses are now subject to taxation.

In terms of number of founding members, the 2011 law is substantially more adapted to worker and social cooperatives than the 1986 Civil Cooperative Law. Whereas the latter foresees a minimum of 15 founding members, the 2011 law brings down the figure to 7 for sub-category a) (work integration) and to 5 for sub-categories b) and c). Although 7 is still high, the number of founding members in the 2011 law are much closer to the prevalent international practice than the 1986 one. Law 2810/2000 on “Agricultural Cooperative Organisations” (amended in 2011) is a classical agricultural cooperative law, which also extends to other primary sector or rural activities such as “fishing, cattle-breeding, bird-breeding, apiculture, sericulture, forestry, agro-tourist, cottage industry, home manufacture and other cooperatives of any branch or activity of the agricultural economy» (art 1). Law 4015/2011 cancelled the option of cooperatives to establish second level agricultural cooperatives: if cooperatives wish to cooperate among each other businesswise, they can do that only by establishing conventional private capital companies, which is a significant step backwards from the international cooperative principles (principle 6: cooperation among cooperatives).

Other pieces of cooperative legislation exist for specific sectors, such as forestry cooperatives, that are regulated by decree 1627 of 1939, and mention the possibility that they operate as worker cooperatives³⁴.

As a conclusion, we can state that:

- Greek “cooperative”, “social economy” and “social enterprise” legislation only establish and regulate cooperatives as an enterprise form, and should thus be considered as cooperative legislation strictly speaking.
- Although not ideal, the current Greek cooperative legislation already makes it possible to establish all kinds of worker cooperatives, social cooperatives, artisans’ and small enterprise cooperatives, as well as agricultural cooperatives and other forms of producers’ cooperatives in rural environments, namely the types of cooperatives which the Greek Ministry of Labour has expressed interest to develop in the short-middle term.
- However, the current Greek cooperative legislation would require substantial improvements if the promotion of social and worker cooperatives is really on the political agenda. The two basic laws (the civil cooperative law and the agricultural cooperative law) should both contain explicitly the internationally-agreed cooperative definition and 7 cooperative operational principles. They should also both allow for the establishment of second-degree cooperatives and cooperative consortia and groups. Law 4019/2011 establishing social cooperatives should contain more clarity concerning the establishment of indivisible reserves and the number of founding members should be reduced (3 founding members is the main trend today in EU countries).
- A worker cooperative law should be put in place, based on the French model. Like the new Brazilian worker cooperative law, it should explicitly prevent the creation and proliferation of false

³⁴ Mandatory law 1627 / 1939 on Forestry Cooperatives, Art 1, paragraph 3; signalled by Kapa Network

cooperatives that are only instruments of labour flexibilisation and contravene the cooperative principles as formulated in ILO Recommendation 193 (which the Greek Government voted in favour) and, probably more importantly for the government, end up being a high cost instead of saving money as intended (see in this respect the excerpts of a presentation by Brazilian Secretary of State Paul Singer under section 3.5. below).

- In addition to a worker cooperative law, the Greek legislation should probably need to be updated in order to facilitate the transformation of business transfers under the cooperative form (see the Italian, French and Brazilian experience in this field under section 2.3. below). In particular, it would be extremely useful to give the workers a right of precedence in acquiring the enterprise inserted in bankruptcy legislation as is the case in Brazil, Argentina and Uruguay.
- Lack of semantic clarity should be avoided as regards the terms “cooperative”, “social cooperative”, “social enterprise”, “social entrepreneurship” and “social economy”. “Cooperative” and “social cooperative” are clearly standardised in international texts, namely the ICA’s Statement on the Cooperative Identity, also enshrined in ILO Recommendation 193/2002, and CICOPA’s World Standards of Social Cooperatives respectively (see annexes 1 and 3). “Social enterprise” has no worldwide definition and has been, and continues to be, a source of much confusion. CECOP CICOPA-Europe, in a book edited in 2009, provided a definition based strictly on national legislation regulating social cooperatives or social enterprises (or equivalent term) in 11 EU countries.³⁵ This definition is very similar to the one formulated by the European Commission in its Communication on a Social Business Initiative (SBI) released in 2011: broadly speaking, refers to the area of activity in which social cooperatives are involved (namely social services of general interest, including work integration), but extended to other enterprise forms. “Social entrepreneurship” is an abstract concept which seems to refer to the same area of activity as “social enterprise”. As for the term “social economy” (an expression which appeared in the middle of the 19th Century in France), in spite of a recent trend to restrict its scope to the “social enterprise” field, the prevalent concept is a much wider one, including all cooperatives, all mutuals, a substantial part of the associations and some foundations. Solidarity economy is often used as an equivalent term, eg. in Brazil. It is under this understanding that it is the object of a social economy law in Spain and that the French draft Social and Solidarity Economy Law is being prepared.

³⁵ Roelants B. ed. , 2009, *Cooperatives and Social Enterprises – Governance and Legal Frameworks*

PART 2. MAIN RELEVANT NATIONAL EXPERIENCE AND EXPERTISE IN THE CICOPA NETWORK THAT COULD BE TRANSFERRED TO THE GREEK CONTEXT

2.1. THE CICOPA NETWORK

The International Organization of Industrial, Artisanal and Service Producers' Cooperatives (CICOPA) was established in 1947. Its full members are representative organisations of producers' cooperatives from different sectors, the vast majority belonging to the industrial and service sectors: construction, manufacturing, services of general interest, transport, intellectual services, artisanal activities, health, social care, etc. Its associated members are support organisations promoting cooperatives in those sectors.

With the recent transformation of the world economy, industrial and service cooperatives are no longer a marginal phenomenon. Numbers have increased in both industrialised and developing countries over recent years. CICOPA currently has a total of 46 members in 31 countries, four of which are support organisations. The estimated number of affiliated cooperative enterprises is above 80 000 units.

CICOPA is a sectoral organisation of the International Cooperative Alliance (ICA), which was established in 1895 and has, since then, coordinated the cooperative movement worldwide and updated the general standards of how cooperatives function, after they were first formulated by the Rochdale Pioneers in 1844 in Rochdale, near Manchester. The last update of the cooperative standards, the Statement on the Cooperative Identity, was approved by the ICA 1995 Congress after a long debate among cooperative organizations around the world; one of the main evolutions was the introduction of a 7th cooperative principle (which already existed implicitly), namely the concern for the community. All the elements of the Statement on the Cooperative Identity (definition, 7 operational principles, 10 underlying values) were inserted in ILO Recommendation 193 on the Promotion of Cooperatives, approved unanimously (less 2 abstentions) on 22 June 2002 in Geneva, including by all present 28 EU member states, as well as by national trade unions and employers' organisations from around the world.

Cooperatives can be distinguished in different typologies. The main typology of cooperatives in the CICOPA network are worker cooperatives, namely cooperatives where the members are the staff of the enterprise, i.e., worker-members. Worker cooperatives' key mission is to create and maintain sustainable jobs, in a strong local development and wealth generation perspective³⁶. Their members are the employees of the enterprise, who thus jointly decide on the major entrepreneurial decisions and elect and appoint their own leaders (boards of directors, managers, etc.). They also decide on how to share the profit with a twofold aim: a) to provide a fair remuneration, in the form of returns based on the work done (in fact an adjustment of the price of remuneration), and b) to consolidate the enterprise and its jobs over the long term by building reserves. In addition, the cooperative spirit promotes

³⁶ Worker cooperatives "have the objective of creating and maintaining sustainable jobs and generating wealth, in order to improve the quality of life of the worker-members, dignify human work, allow workers' democratic self-management and promote community and local development" (*World Declaration on Worker Cooperatives* approved by the CICOPA General Assembly in Oslo in 2003 and by the ICA General Assembly in Cartagena, Colombia, on 23 September 2005: http://www.cicopa.coop/IMG/pdf/Declaration_approved_by_ICA_EN-2.pdf)

employees' information and training, a prerequisite to develop the autonomy, motivation, responsibility and accountability required in an economic world which has become increasingly insecure.

Another important and rapidly growing typology of cooperatives in the CICOPA network are social cooperatives, which, in many cases, can be considered as a specific sub-type of worker cooperatives with a primary, explicit and direct general interest mission³⁷. They are specialised in the provision of social, health, educational or environmental services or in the reintegration of disadvantaged and marginalised workers (disabled, long-term unemployed, former detainees, addicts, etc.), or both. Social cooperatives first emerged in Italy but today they can be found in various EU countries, often regulated by specific national laws. Most of them are owned totally or at least partly by their workers (and thus also strive to generate sustainable jobs, just like worker cooperatives), while offering the possibility or even making it compulsory (according to the national laws) to involve other types of members (service users, public authorities, voluntary workers, etc.).

CICOPA has two regional organisations: CECOP – CICOPA Europe and CICOPA Americas. CECOP – CICOPA Europe is the regional organisation of CICOPA in Europe. It affiliates 25 national federations in 16 EU countries as well as 4 development organisations. CECOP – CICOPA Europe it is a sectoral member of Cooperatives Europe, the regional organisation of the International Cooperative Alliance (ICA) for Europe.

CICOPA Americas includes 10 organisations present in 8 countries of the American continent. It is a sectoral organisation of ICA – Americas, the regional organisation of the International Cooperative Alliance (ICA) for the Americas. CICOPA Americas includes two sub-regional organisations: CICOPA North America (grouping cooperative organisations from the USA, Canada and Mexico) and CICOPA Mercosur (grouping cooperative organisations from Brazil, Argentina, Uruguay and Paraguay).

Apart from its primary mission, namely lobbying and representation of industrial and service cooperatives at the global level, CICOPA has also the important role of gathering information and gradually mapping the situation of these cooperatives around the world, through a constant flow and exchange of information with and among members. This is one of the main sources of CICOPA's expertise and competence, which in turn feeds projects and activities carried out by CICOPA to promote the development of industrial and service cooperatives at the national and regional level.

The experiences described in this section have the precise aim to support Greek authorities and stakeholders in the process of transfer of knowledge from worldwide experience that can be important sources of inspiration for the development of cooperatives in the Hellenic context.

³⁷ Social cooperatives “explicitly define a general interest mission as their primary purpose and carry out this mission directly in the production of goods and services of general interest. Work integration, which is a key mission of many social cooperatives, should be considered as a service of general interest to all intents and purposes, regardless of the types of goods or services which they produce” (*World Standards of Social Cooperatives*, approved at the CICOPA General Assembly held in Geneva on 18 November 2009 and in their final form at the CICOPA General Assembly held in Cancun, Mexico, on 16 November 2011: http://www.cicopa.coop/IMG/pdf/world_standards_of_social_cooperatives_en.pdf)

2.2. SOCIAL SERVICES, WITH A SPECIAL FOCUS ON CRÈCHES AND HOMES FOR THE ELDERLY

The experience of Italian social cooperatives: Federsolidarietà-Confcooperative and the Italian social cooperative consortia

The experience of social cooperatives came into existence in Italy as early as 1963. It embodied the idea that practically solidarity could take on an entrepreneurial form, more precisely the form of a cooperative.

In 1991, social cooperatives were eventually given a legal framework with the enactment of their founding law 381/91. This law was therefore a follow-up to isolated experiences, which were not codified in the civil law and had developed into more structured forms which had spread across Italy, and eventually were given a legal recognition and regulation.

Article 1 of the law 381/91 provides that: “The purpose of social cooperative is the pursuit of the general community interest in promoting human concerns and in the social integration of citizens by means of: a) the management of social, health and educational services; b) the carrying-out of sundry activities - agricultural, industrial, business or services - having as their purpose the gainful employment of the disadvantaged.

In so far as they are compatible with this law, regulations regarding the sector in which social cooperatives operate shall apply to the latter. The name of the cooperative, no matter how it is established, must contain the indication that it is a "social cooperative.”

Social cooperatives are therefore an instrument to serve local needs and to obtain a two-fold objectives defined by the law:

- Providing social, health and educational services;
- Developing agricultural, industrial, commercial activities or services to integrate through work disadvantaged persons who must account for at least 30% of the business total headcount. Some characteristics of the social cooperative stem from these legal provisions:

Social cooperatives are private and not-for-profit entities, entrusted by the legislator with a very significant task: to pursue the general community interest, and thereby support the public organization (at its various territorial levels) in actions which had previously been considered as being the exclusive prerogative of public entities;

Their purpose is “to pursue the general community interest in promoting human concerns and in the social integration” (article 1 of the law 381/91) through their involvement in projects and service provision. Though they do so within the boundaries of their subsidiarity role, they are requested to actually implement core welfare strategies for individuals, families, the community and all public and private institutions which can thereby contribute to improving the quality of local life;

Like all cooperatives, they have a democratic and participatory governance system; in addition, they are increasingly multi-stakeholder and carry out a project for and with the local stakeholders.

Federsolidarietà-Confcooperative is the main national federation of social co-operatives in Italy. It represents its own members with public institutions, supporting and assisting them in trade-union, legal, legislative, technical and economic matters. It promotes and develops cooperatives by training their leaders, disseminating good practices, investigating and experimenting innovative activities, holding conventions and seminars to analyse in greater depth the various issues emerging in welfare and labour policies.

In September 2011, 11,808 social cooperatives were recorded in Italy and the consortia which they form among themselves have increased by 57.7% over the past six years³⁸. It may therefore be assessed that social cooperatives active in Italy are more than 10,000. Their staff totals over 350,000 to whom 30,000 disadvantaged workers employed in “B type” (work integration) social cooperatives have to be added.

On 31/12/2111, Federsolidarietà - Confcooperative registered among its membership 5,721 social co-operatives, out of which 256 were consortia among local cooperatives. Two thirds of them are involved in social, health and educational services, and one third are active in the labour inclusion of disadvantaged persons. Their members are 220,000, out of whom 22,500 are voluntary members. They employ nearly 218,000 workers and generate an aggregate turnover of more than 5.7 billion €³⁹.

“A type social cooperatives” pursue the community’s general interest through the citizens’ human promotion and social integration”, more precisely through the management of social, health and educational services. A type social cooperatives under Federsolidarietà-Confcooperative were 3,498 in 2010. Their members are nowadays some 162,300 whereas their employees are 164,000, i.e. an increase of some 4.8% last year and 32.2% between 2005 and 2010. Their consolidated turnover is 4,231 million €. As for their size, according to the EU standards to define SMEs, 2% are large enterprises, 15.2% are medium-sized, 38% are small enterprises and 44.8% are micro-enterprises.

“B type” social cooperatives of integration through work affiliated to Federsolidarietà –Confcooperative are 1,756. 55% of them were created less than 10 years ago. Their consolidated turnover amounts to some 1.2 billion €. Their members are 50,000 (out of which 3.4% are legal entities) and more than 45,000 workers are employed by these social cooperatives, revealing an increase of 17.5% between 2005 and 2010, and 3.5% last year. Member workers have increased by 4.7%. About 14,600 disadvantaged employees have enjoyed this type of labour inclusion, i.e. an increase of 13.8% over the past five years. 25% of the employees meet the requirements of the European definition of « disadvantaged workers ».

Consortia are one of the most important forms of integration between social cooperatives. Consortia having membership in Federsolidarietà are 256, out of which 163 have adhered since 2001. There has

³⁸ Some 9,000 out of about 10,000 are represented by the three Italian cooperative confederations. Confcooperative represents some 6,000 of them, out of which 5,700 are affiliated to Federsolidarietà – Confcooperative

³⁹ See Federsolidarietà-Confcooperative’s website:

<http://www.federsolidarieta.confcooperative.it/Chi%20siamo/default.aspx>

therefore been a very intensive process of integration of cooperatives into consortia. The average number of cooperatives per consortium is currently 15. Among the consortia affiliated to Federsolidarietà-Confcooperative, 239 are provincial, 5 are inter-provincial, 2 are regional, 8 inter-regional and 2 are national consortia (namely CGM and Idee in Rete). CGM will be examined below.

Services for older people and children in Japan: JWCU's experience

Japan Workers' Cooperative Union (JWCU), founded in 1979, represents and unites worker cooperatives throughout Japan. Each worker cooperative is owned and democratically controlled by the worker-members and dedicated to creating jobs to promote the well-being of communities through cooperation not only among worker-members but also with service users and community residents. In March 2012, JWCU had 58 member cooperatives, employing 12,765 worker members in total ⁴⁰.

JWCU's member cooperatives are active in different sectors of activities, but services to the aged and disabled represent the most important one, followed by child care, operation of public facilities, building maintenance and other activities such as transports, meal service, retail etc.

In response to various social challenges facing Japanese society, particularly the ageing population and child care, and in order to build communities that are supportive and caring, JWCU members have set up over 300 "community welfare centres" between 1999 and 2006 which provide new types of social services for people across the generations. In JWCU's community welfare centres, service users (e.g. elderly, children, parents) as well as communities are actively involved in planning and management of activities with the worker-members in a cooperative style. The services for older people include home health and personal care, day care, home delivered meals and preventive care. Services for children and parents include day care centres, nurseries, after-school programmes, and gathering places for parents and children. While some of these services are part of the public programmes (e.g. national long-term care insurance) and commissioned by municipalities (e.g. nurseries, after-school programmes), others are operated outside such public systems (i.e. private pay at affordable prices). For example, some of the members provide home care services for the elderly which are not covered under the national long-term care insurance system to meet their various needs so that they can remain in the community as long as possible.

JWCU members across Japan also provide training programmes to become home helpers (direct care workers) so that the graduates can spread this movement. JWCU head office publishes textbooks for this training program to ensure that the trainees can attain proper knowledge and skills and understand the philosophy of worker cooperatives before working as care workers. In addition to that, JWCU has been actively involved in vocational training and job assistance for people with disabilities, those on public assistance, disaster victims and young people who have been struggling to become independent. JWCU members also support the graduates of these programs to actually start worker cooperatives.

⁴⁰ <http://english.roukyou.gr.jp/profile.html>

Services to the elderly and children account for a large proportion of JWCU's aggregate turnover. During the fiscal year 2011, services for older people and those with disabilities accounted for 31%, and services for children accounted for 13% of the total JWCU turnover (30.4 billion yen).

2.2. BUSINESS TRANSFERS TO EMPLOYEES UNDER THE WORKER COOPERATIVE FORM⁴¹

More than 1,500 cooperative enterprises from the CICOPA network are the result of businesses that were going to close down and that have been transferred to, or bought out by their employees, and re-established under the worker cooperative form. Most of these enterprises are in France, Italy, Spain, Argentina, Brazil, Canada, and China. Generally speaking, two main scenarios leading to this form of establishment of a cooperative have been observed:

- Retiring owners with no successor, heir or family member willing to take over the enterprise: the enterprise is handed over to the employees; the employees then convert it into a worker cooperative;
- Employee buyouts of enterprises in crisis (failure or bankruptcy): enterprises at risk of closure or after closure, which are bought out by their own employees who then convert them into a worker cooperative.

The practice of business transfers to employees in Europe is rather heterogeneous. France, Italy and Spain are the EU countries where it is most widespread, whereas more isolated cases can be found in other countries, such as the UK and Finland.

It appears that the main factors explaining why business transfers to employees are more common in some countries than others are:

- a legal framework adequately protecting and promoting worker cooperative enterprises;
- a high level of organisation and consolidation of worker cooperatives in federations;
- policy measures facilitating business transfers to employees.

In 2011, one of the hardest years for many European enterprises since the crisis broke out in 2008, the profitability expectations of many owners seemed to be negative or insufficient, with doubts about maintaining the activity, leading them to look for an acquirer or, in some cases, to transfer the ownership to their employees. Whereas those enterprises may not be considered sufficiently profitable by external investors, they can still be sufficiently profitable for the employees to the extent that they enable them to preserve their jobs and provide them with the prospect of a long term economic activity. Buyouts of an enterprise in crisis, such as in cases of liquidation, requires a very quick reaction and a speedy financial

⁴¹ CECOP, *Business Transfers to Employees under the Form of a Cooperative in Europe*, 2013, http://www.cecop.coop/IMG/pdf/bussiness_transfers_to_employees_under_the_form_of_a_cooperative_in_europe_cecop-2.pdf

mobilisation of the employees, something which is usually very difficult to take place without the support of cooperative federations or dedicated entities. The conversion of enterprises in crisis into economically sustainable cooperatives requires a precise diagnosis. In addition, the earlier the diagnosis can be established, the more successful and sustainable the restructuring can be.

Generally speaking, business transfers to employees have succeeded in maintaining jobs and even creating new ones after the transformation process. It should be mentioned that, often, not all the existing jobs can be maintained in the process of transformation, but an important number of new jobs can then be created over time.

Thanks to their specific ownership, governance and capitalisation model, worker cooperatives have a specific capacity to adapt to change, maintain jobs and economic activities even when being at risk, while, at the same time, pursuing their social mission (creating sustainable jobs). Their governance model helps them anticipate and prepare restructuring processes in time, in association with the employees and the different concerned stakeholder-members of the cooperative. This ensures adequate and sustainable restructuring solutions and minimises the negative social impact of restructuring processes.

An important factor of success is given by the way of capital accumulation shown by cooperatives: a limited part of the annual surplus is redistributed to members *not* as a dividend based on their contribution in share capital but as a year-end adjustment of the price of the transactions between the cooperative and its members, which, in the case of cooperatives among workers, is an adjustment of the worker-members' remunerations; another part of the annual surplus is usually earmarked for a reserve fund, which is the common property of cooperatives (indivisible reserves). The financial reserves which were built before the crisis allow cooperatives to go beyond the short-term emergency measures mentioned above (such as temporary wage reductions etc.) when the crisis comes, and adopt measures oriented towards the long-term, such as investment in technology or other structural changes in the production process. In some EU countries (such as France, Italy, Spain, Portugal, and the UK relating to a specific type of enterprise¹³), the indivisibility of reserves is legally mandatory, even after the liquidation of the enterprise. In such countries, in the case in which the cooperative is closed down, the reserves are transferred to an institution promoting cooperatives, such as a cooperative development fund.

The effectiveness and sustainability of business transfers to employees go even beyond the way of functioning of the individual enterprise at the micro level: as the experience within the CECOP network reveals, the success of this practice is the fruit of a considerable level of expertise in the organisations specialised in dealing with them, including the national and regional cooperative federations with their advisory and training services, the non-banking instruments of the cooperative system, and cooperative banks. In fact, the most essential reason for successful business transfers to employees under the cooperative form is the "network effect". This network effect consists of the existence of an advisory environment and substantial financial arrangements. This means that the buyers are always accompanied by specialists, connected with the cooperative movement, when they have to appear before the Commercial Court and submit a takeover plan. The experience of the French and Italian cooperative movement reported below represent emblematic examples of such "network effect".

The “Network effect” (1): the French worker cooperative confederation CGScop and its structures in regional advisory services and financing

Constituting the third largest worker cooperative movement in Europe below the Italian and Spanish ones, the French worker cooperative (“*société coopérative et participative*” or SCOP in French) movement has a very long historical tradition and well organized networks. French worker cooperatives are regulated by a general cooperative law from 1947 and by a specific worker cooperative law from 1978. CG Scop, a French member of CICOPA, represents the vast majority worker cooperatives (SCOP) and collective interest cooperatives (SCIC) existing in France, a comparatively new and specific type of social cooperative based on the multi-stakeholder governance model.

CG Scop is composed of 13 regional unions and 3 sectoral federations representing 3 major branches of activity (construction, communication and manufacturing). Since 2005, the number of French worker cooperatives has been increasing continuously. Although numbers stagnate in 2008-2009, we can observe signs of accelerated recovery in recent years. This pattern is found in the number of workers as well. In 2011, there were 1,902 worker cooperatives in France.

[Table 2] Number of French worker cooperatives and their growth rate

Year	2005	2006	2007	2008	2009	2010	2011
Total	1,612	1,661	1,744	1,804	1,803	1,822	1,902
Growth rate	+4.68%	+3.04%	+5%	+3.44%	-0.06%	+1.05%	+4.39%

Source: CG Scop

(CG Scop and its regional bodies have accompanied 76 successful business transfers to employees in 2010, and 52 in 2011. More than one thousand jobs were saved in those enterprises in only two years, without mentioning all the upstream, downstream and surrounding local economic activities that have also been maintained.

As we can see in Table 3, 20% of worker cooperatives have been transformed from conventional enterprises into cooperatives during 2008-2011, which would otherwise have closed down leading to a substantial destruction of jobs, if their workers had not decided to transform their enterprises into cooperatives. In the case of the transmission from healthy enterprises, most of the enterprises were sold to employees by owners who could not find successors.

[Table 3] Creation of (affiliated) French cooperatives between 2008 and 2011

	Percentage in creations (2008-2011)
Creation ex nihilo	68.2%
Transmissions from healthy enterprises	12.7%
Worker buy out of enterprises in difficulty	7.3%
Transformations from associations	10.4%
Transformations from cooperatives	0.9%
Origin unknown	0.4%
Total creations of worker cooperatives and collective interest cooperatives	100%

Source: CG Scop

Enterprises transferred to their employees in the form of a worker cooperative often show considerably high survival rates over time. Indivisible reserves, and the existence of a solidarity fund among French worker cooperatives under CG Scop called SOCODEN, can be considered as important instruments to protect cooperatives from financial constraint.

[Table 4] Survival rate for cooperatives resulting from business transfers in 2012 (France)

	Survival rate within 5 years	Survival rate within 3 years
All French enterprises (INSEE ⁴² data)	50 %	66 %
All cooperatives affiliated to CG Scop ⁴³	66,1 %	82,5 %
Transfer of sound enterprises into cooperatives	82,1 %	90,5 %
Transfer of enterprises in crisis into cooperatives	61,0 %	80,2 %

Source: CG Scop

The “Network effect” (2): Financial non-banking instruments in favour of business transfers from the Italian cooperative movement

Law 49/1985 or “Marcora Law” has enabled the establishment in 1986 of a fund, Cooperazione Finanza Impresa (CFI) whose management was entrusted to the three Italian cooperative confederations (Confcooperative, Legacoop and AGCI). The specific objective of the Marcora Law was to provide

⁴² French National Institute of Statistics and Economic Studies

⁴³ In 2012 CG Scop was affiliating 2,165 cooperatives (providing 43,860 jobs) active in industry and services

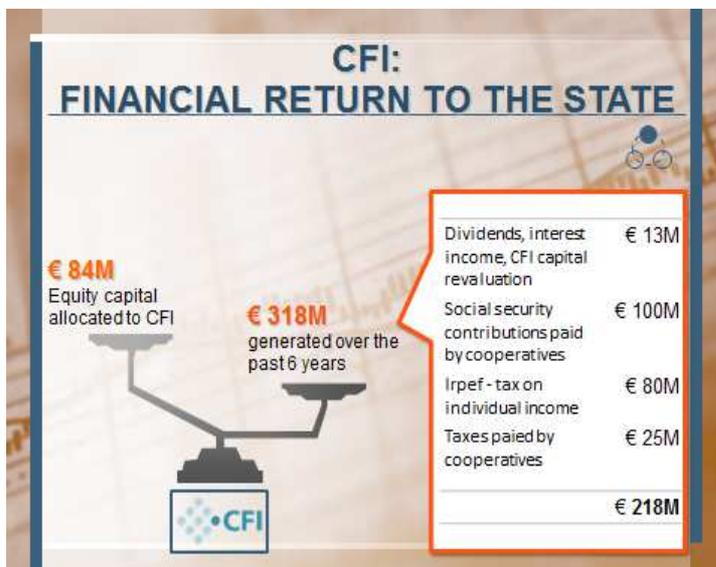
financial support to cooperatives created through business transfers to employees.

Through the Marcora Law, CFI could receive non-returnable public funds in order to participate in the equity capital of new cooperatives established on the ruins of enterprise that had gone bankrupt or were going to be bankrupt, by their own workers who had been temporarily or definitively been laid off.

This intervention could be as high as three times the equity capital underwritten by the workers, with an upper limit corresponding to three years' employment benefit. In doing so, the State was exchanging the costs that it would have had to bear in unemployment benefits, for a type of financing that, if successfully utilized by the workers, would turn the State's intervention into a form of participation.

During its first period of activity, between 1986 and 1997, CFI invested approximately 80 million euros in the equity capital of 160 worker cooperatives set up by workers of enterprises in crisis. Since 2003, CFI has also been financing start-ups, development, consolidation and re-positioning projects in existing cooperatives. From 2003 till 2009, CFI carried out 41 interventions. Of this amount, 51% was provided in the form of participation in the equity capital, 6% to underwrite convertible bonds and 43% in the form of loans. CFI's equity capital has reached 83.7 million euros in 2012 and its total assets are around 106.8 million euros. Between 2008 and 2012, 13 new business transfers to employees have been implemented, saving more than 300 jobs.

It is important to underline that, over the past six years, 84 million euros of equity capital allocated to CFI have generated a financial return to the State of about 3.8 times the capital invested, under the form of dividend, interests, the revaluation of CFI's capital, social security contributions paid by cooperatives, individual income tax and taxes paid by the cooperatives (regional tax, VAT etc.), as illustrated on the diagram below.



An example of business transfer to employees linked to the Marcora law and to CFI is the Industria Plastica Toscana, an Italian worker cooperative located near Florence and established in 1994 upon the initiative of some employees of the former Italian Plastics Industry, who took over the enterprise and transformed it into

a worker cooperative following its bankruptcy. The cooperative is active in the production of shopping bags and sacks for the retail and distribution market. CFI provided the cooperative with financial assistance and its consulting in two different periods: in 1996, it provided 2 million euros under the term of the Marcora Law; and in 2009, after a change in the Italian legislation declaring the progressive ban of plastic shopping bags from the market, the cooperative decided to produce biodegradable shopping bags. This change entailed the adoption of new technologies requiring an investment of 2 million euros, which was provided by CFI together with other financing institutions from the cooperative movement, as well as two banks. Thanks to this financial assistance, the cooperative's turnover 30% between 2007 and 2010.

Legal environment facilitating business transfers to employees: some examples from Italy, Spain and France

An adequate legal environment facilitating business transfers in general, and to employees in particular, is essential. Public mechanisms and measures stimulating enterprise transfers or buyouts can be of great support to employees willing to takeover or buyout the enterprise.

For example, at the time of industrial crisis that Italy was facing in the 1980's, the Italian government passed the above-mentioned Marcora Law, establishing a mechanism by which risk capital is invested in conventional enterprises being transformed into cooperatives or, according to 2001 amendments of the law, also in existing cooperatives.

In Spain, we find the *Pago Unico system*: worker-owned enterprises in Spain have the option of receiving 3 years of unemployment benefits in a lump sum, which is called unemployment capitalisation or single unemployment benefit payment (*pago unico*). This provision enables an individual to transfer his/her unemployment benefits to the capital of a cooperative or a *sociedad laboral* that he will be joining as a worker-member, either with the aim of establishing a new cooperative or *sociedad laboral* or joining as a member of an existing cooperative or *sociedad laboral*. This provision is also used by employees willing to buyout the closing enterprise and to transform it into a worker cooperative.

In France, the Government is currently preparing a bill on Social and Solidarity Economy and a specific set of measures is announced in favour of worker cooperatives, and notably business transfers to employees under the form of a worker cooperative. A preferential right to employees in the buyout of enterprises is foreseen, as well as training for courts in charge of bankruptcies and professionals dealing with business transfers. The creation of a status for new worker cooperatives that foresee the constitution of a transitory status, that will make the creation or transformation of enterprises by its workers easier, is also planned.

Trade Union support to worker buy outs and to the establishment of a cooperative federation: the case of UNISOL (Brazil)

In early 90's, the Brazilian domestic production began to suffer the negative effects of an opening policy based on foreign trade implemented by Collor de Melo (Brazilian president between 1990 and 1992).

The most developed industrial districts of that time, mostly located in the urban areas of São Paulo, were highly affected: unemployment, bankruptcies and inflation rates increased. The uncertainties were predominant and the wave of privatization of public enterprises culminated in a genuine social and economic crisis. This conjuncture contributed to a new paradigm for the trade union movement's struggle.

Looking for solutions and improvements for the working class, the Metalworkers Union of ABC (SMABC – *Sindicato dos Metalúrgicos do ABC*), affiliated to the main Brazilian trade union confederation CUT, together with other trade unions, intensified their relations with trade unions abroad. In the case of SMABC, this exchange period resulted in a better understanding of alternative models in the organization of labour, in particular the role of worker cooperatives as an opportunity to deal with the crisis and widen the scope of action of the trade union movement.

In 1997, SMABC, in partnership with other unions and the main Brazilian trade union confederation (CUT – *Central Única dos Trabalhadores*), supported the workers of Conforja in São Paulo, one of the biggest foundries in Latin America with more than five hundred unionized workers in recovering the bankrupt industry by establishing a cooperative called UNIFORJA in 2000. The business is now economically sustainable.

Other similar experiences repeated during the following years and those trade unions promoted the foundation of UNISOL to represent these cooperatives in 2000. Nowadays, UNISOL has enlarged and acts in all districts in Brazil, representing more than 800 cooperatives in a wide range of economic sectors with more than 70 000 workers.

Among Unisol's affiliated cooperatives there is a number of enterprises that were in crisis and have been turned into cooperatives.

2034 WORKER COOPERATIVES IN BRASIL
346,839 member-workers
8,109 non-member workers

2.4. COOPERATIVES AMONG ARTISANS, PROFESSIONALS AND MICRO-ENTERPRISES

Cooperatives among individual artisans and small enterprises are another form of cooperatives from the CICOPA network. We mean here cooperatives among masons, carpenters, hairdressers, bakers, butchers, taxi drivers, lorry drivers, etc. Over 1000 such cooperatives exist in the CICOPA network in Italy. Over 1000 can be found in Germany, and over 300 in France. We also find them in India and African countries among traditional craftsmen.

Many taxi cooperatives, for example, can be found in Brazil. Taxi cooperatives allow taxi drivers to have common coordinating systems at a reasonable price (as they are the co-owners of the service).

Bakers' cooperatives are a success story in Germany, where 90% of German bakers are members of such cooperatives, enabling them to purchase machinery at lower prices and get flour and other inputs at

just-in-time and zero stock conditions. German bakers can thus remain competitive with artisanal and high quality bread against bread multinationals.

Artisans' and small producers' cooperatives are expanding in Europe even under the crisis, and seem to respond to many urgent needs of individual producers, who find it increasingly difficult to compete against large enterprises in the same sectors. They allow these producers to maintain their activity in their personalized way, purchase inputs, coordinate sales, and even internationalization, and share common services such as administration and accountancy.

The French Federation of Cooperatives and Groups of Artisans - FFCGA - gathers cooperatives and craft groups and represents the French artisan cooperative movement by boosting the actions necessary to its promotion and development. The FFCGA reports a gradual increase in the number of artisans' cooperatives, from 320 in 2005 to 425 in 2012. The annual number of new artisans' cooperatives increased from 9 in 2005 to 40 in 2011. 29 creations were registered in 2012, nearly 10% above the rate of creation over the past 3 years. Over the last three years 118 new artisans' cooperatives were created. The sector most concerned by this increase is construction, where 18 new cooperatives were created in 2012 but artisans' grouping in cooperatives involves an increasing variety of artisans' sectors of activity in France. This development meets the increasing requirements in terms of competitiveness, access to new markets technology. Artisans' cooperatives enable member to meet these challenges while maintaining their independence⁴⁴.

Another model of cooperatives of micro-enterprises is the activity and employment cooperative (CAE), which exist in France and a few other countries. They are similar to artisans' cooperatives, in the sense that they regroup different individual producers of goods or services. However, unlike artisans' cooperatives which are mainly mono-sectoral, CAE typically group producers active in different sectors in a given district. For example, we can find in the same CAE an architect, a fashion designer, a translator and a sound engineer. Like artisans' cooperatives, they mutualise administrative and accountancy services, but, additionally, they also provide their members with an employee (wage-earner) status, and not a self-employed status. CAEs function partly as incubators, as they allow many individuals to create and reinforce their professional projects and then spin off from the cooperative. Some of them allow unemployed persons to gradually leave their unemployed status through a transition during which they will fully learn their new activity and become economically self-sufficient. CAE have been developing in France since 1995, when the first one, Cap services, was set up in Lyon.⁴⁵ Then, this form of entrepreneurship has been gradually increasing since 2000. In Belgium, the first CAE, Azimut, was founded in 1999 in Charleroi. In 2007, there were more than 70 CAE Cooperatives in France, 8 in Belgium and one in Sweden, employing all together 5,000 employees/entrepreneurs⁴⁶.

⁴⁴ For more information, see the 2013 FFCGA report "*Les sociétés coopératives artisanales*" available here: http://www.ffcga.coop/images/pdf_docs/etudes_et_analyses/les_cooperatives_artisanales_2013.pdf

⁴⁵ <http://www.cap-services.coop>

⁴⁶ Mylène Rousselle, 2011, *Les Coopératives d'Activités et d'Emploi, à l'origine d'un entrepreneuriat collectif et coopératif*

In Italy, we find a growing interest towards the establishment of professionals' cooperatives, which has been facilitated by the entry into force on 6th April 2013 of a decree enabling the creation of companies among professionals, including under the cooperative form⁴⁷. In order to facilitate the establishment of such cooperatives, the Italian confederation Legacoop has produced a handbook and is promoting meetings with representatives of different professionals' organizations, with the aim to create the necessary conditions for a fruitful collaboration between the cooperative movement and the world of professionals.

Furthermore, Legacoop has recently launched a survey in order to make an assessment of professionals' cooperatives that already exist and operate in different sectors in Italy. According to this survey, there are 617 professionals' cooperatives in Italy, with 11,591 employees (out of which 9,136 are members and 2,455 are ordinary employees), registering a total turnover of over 454 million. The most numerous are those among journalists (162, with 1,597 members and 500 employees), followed by the computer industry (118, with 2,550 members and 262 employees), the engineering and design cooperatives (108, with 858 members and 577 employees respectively) and administrative and management consulting (101, with 1,051 members and 454 employees)⁴⁸. On the basis of this study, Italian professionals are attracted to the working conditions offered by the cooperative form because it allows them to achieve goals that are otherwise difficult to achieve, regardless of the capital initially available and the age. Furthermore, this cooperative model reportedly allows growing much faster and reducing the risks that characterize today's labour market. The opportunity to access a wider and more qualified market was also emphasized, as well as the possibility to obtain public funding or attract investors more easily.

2.5. THE PRODUCTION OF RENEWABLE ENERGY BY COOPERATIVES

Enercoop is a provider of renewable energy in France, within the framework of the opening of the electricity market. It is a Collective Interest Cooperative Society (SCIC) which counts within its membership the users, the producers, the workers, several NGOs such as Greenpeace and cooperatives such as Biocoop, as well as experts in renewable energy and local community representatives. Several regional Enercoop cooperatives have been established and Enercoop is gradually being reconfigured as a cooperative group.

Community renewable energy cooperatives exist in many parts of the UK, particularly on Scottish islands, usually in a village which installs a wind turbine using a community shares and loanstock issue to part finance the project. The village residents get reliably priced electricity and save up to pay back the loanstock. When they have paid back the debts, they generate capital for the village or reduce the price of their electricity.

In Japan, the Nanohana (Rapeseeds) Project is a cooperative initiative where members lease unused

⁴⁷ <http://www.legacoop.it/wp-content/uploads/2013/07/Decreto-Ministro-della-Giustizia-8-febbraio-2013-n.34.pdf>

⁴⁸ <http://www.legacoop.it/wp-content/uploads/2013/07/Legacoop-Informazioni-9.pdf>

farmlands to grow rapeseeds and produce rapeseeds oil from the first extract and biofuel from the second extract through inter-sectoral partnerships

CPL CONCORDIA (Italy)

CPL CONCORDIA⁴⁹ is an Italian multiutility cooperative group established in 1899, comprising 70 companies and 1600 employees, with consolidated revenues of 413 million euros. It is involved in every aspect of energy: from procurement and distribution to sales and accounting for gas and electricity, as well as its production by means of both traditional and renewable systems.

From planning to execution of solutions that improve energy efficiency and produce savings of resources for public and private customers. CPL CONCORDIA has operations on 4 continents: Europe, Africa, North America, South America, and Asia.

CPL CONCORDIA was founded in 1899. From its original area of operations, the cooperative has become rooted everywhere there is fertile ground offering work and an opportunity for development. From land reclamation and canal construction (at the beginning of the century) it turned to constructing railway, road, and water supply infrastructure. In 1963 CPL CONCORDIA reached a turning point and began working in the field of energy, with its first gas distribution network. From this point new capabilities and specializations were developed, which today meet the needs of every facet of the energy market.

From planning to execution of solutions that improve energy efficiency and produce savings of resources for public and private customers, CPL CONCORDIA contributes to reducing harmful emissions in the world while creating new jobs.

Energy savings and efficiency are the goals CPL CONCORDIA has been pursuing for more than 30 years in the following activities: energy and facility management, global service, district heating, public lighting, instruments and software for the remote control of energy consumption. CPL CONCORDIA also provides solutions for smart cities: energy planning, ICT solutions, low consumption buildings, and renewable energy sources. Among other things, CPL CONCORDIA designs and builds photovoltaic arrays and medium and large-scale photovoltaic power systems on the roofs of buildings with large surface areas: industrial buildings, shopping centres, cantilevered roofs, parking garages, sports centres, and greenhouses.

CPL CONCORDIA has launched an internationalization process with the expectation of earning 30% of its revenues internationally within the next 10 years. For this reason the company decided to add the manufacturing and marketing of CPL CONCORDIA INDUSTRIAL brand products to its core business. Today, CPL CONCORDIA has operations on 5 continents: Europe, Africa, North America, South America, and Asia.

CPL CONCORDIA counts 1506 workers out of whom 806 are members. The value of production was

⁴⁹ <http://en.cpl.it/>

412.61 million euros in 2012.

2.6. CONSTITUTION OF COOPERATIVE INCUBATORS

ALter'Incub, established in 2007 in Montpellier is an incubator of social economy enterprises in the French region of Languedoc-Roussillon. It is a department of the Regional Union of Worker Cooperatives (one of the 13 regional unions of French CICOPA member CG Scop, described under 2.2. above), established in partnership with the *Languedoc-Roussillon* Region, the state *Caisse des Dépôts et Consignations* and several social economy organisations.

ALter'Incub accompanies proponents of social economy enterprises by facilitating the link between research (university units in social sciences) and common economic needs identified in different communities or sectors.

By mobilising both the experience of community actors and university resources, the incubator endeavours to promote the emergence of innovative projects, which create jobs as well as socio-economic wealth. After four years of existence, ALter'Incub has been involved in 33 projects (out of over 100 projects received), some of them completed and others in progress, with an average project duration of 18 months. The majority of the incubated enterprises are cooperatives, although the incubator is open to projects under all forms of social economy. Many project bearers do not know which type of social economy enterprise they will establish when they present their projects, and it is through the follow-on training, during which they will be given an array of options, that they will make their final choice.

The selection process begins with a call for projects and by information meetings. The candidates then draft their projects and submit them. After the deadline for project submission, the candidates are first screened by a technical committee, then selected by a selection committee. The technical committee then validates the preselected candidates who then enter a pre-incubation period, during which the incubation process will be planned in detail. The preselected project bearers are then finally selected, after 3-6 months, for final incubation. The selected project bearers will then undergo a 12-18 month incubation period.

ALter'Incub is part of a wider project of development of cooperatives in the region, which began in 2004, with the introduction of new regional public policies for the promotion of cooperatives and the subsequent establishment of a cooperative school, a social economy business centre, and partnerships with universities. These structures, together with the Regional Union of Worker Cooperatives, formed the REALIS Languedoc-Roussillon network, which obtained the Excellence Award 2013 of REVES, the European Network of Cities and Regions for the Social Economy (of which CECOP CICOPA – Europe is a member).⁵⁰ As a result, the number of worker and social cooperatives affiliated to the Languedoc-Roussillon Regional Union of Worker Cooperatives jumped from 50 cooperative enterprises with 500

⁵⁰ See <http://www.revesnetwork.eu/news.php?zcid=482>

workers in 2006 to 130 cooperative enterprises with 1700 workers in 2013. The objective of the Regional Union is now to reach 3000 jobs, and to become independent from public funds⁵¹.

2.7. FINANCIAL INSTRUMENTS FOR THE DEVELOPMENT OF COOPERATIVES

Worker cooperatives usually face unfavourable attitudes from banking institutions and very demanding requirements and access conditions when applying for credit and loans. Beyond the fact that the banking or near banking sector is reluctant to grant them credit, their difficulties in accessing venture capital are also related to:

- their profit distribution system which gives priority, in the allocation of the profits, to the granting of returns to members (calculated on the basis of the type of relation between the members and the cooperative, not on the remuneration of capital) and to the indivisible reserve funds;
- their control system, which accords very limited power, if any, to external shareholders (only in certain countries does national legislation provide the possibility for conventional external investors to have an aggregate power equivalent to a maximum of 33%, provided the general assembly of the cooperative approves such structure, which is seldom the case).

Those difficulties have encouraged worker cooperatives and their federations to put in place specific financial instruments in order to respond to their needs. In some countries, national laws oblige cooperatives that have positive results to transfer a percentage of their surplus to solidarity funds. Those funds are managed by the cooperative federations which provide, more than just financial support, advisory and follow-up services in different fields such as business transfers to employees, but also cooperative start-ups and enterprise development. They intervene through different financial instruments, such as subordinated loans, risk capital, participatory certificates, or guarantee funds. Some of them are entirely dedicated to cooperatives active in industry and services (such as CFI in Italy, mentioned above, and Socoden in France, which will be analysed below), while others are also involved in other cooperative sectors (such as Coopfond and Fondosviluppo in Italy, see here below).

Cooperative development funds (“fondi mutualistici”) in Italy

The Italian law 59/92 established the mutual funds and introduced the possibility for national associations engaged in the representation, provision of assistance and supervision of the cooperative movement, to create funds for the promotion and the development of cooperatives.

The three cooperative associations set up three limited companies to manage these resources:

- Coopfond – Legacoop
- Fondosviluppo – Confcooperative

⁵¹ Interview with Fatima Balerdej, director of Alter’Incub, Montpellier, July 2013

- General Fond – AGCI.

According to the above-mentioned law, Italian cooperatives are required to pay the following into the funds:

- a) a contribution equal to 3% of the annual pre-tax profits;
- b) the residual assets resulting from the dissolution of cooperatives that cease their activities.

Sub-paragraph 2 of article 11 of law 59/92 defines the social purpose of the cooperative development funds as follows: *“the social purpose must consist exclusively in the promotion and financing of new companies and initiatives to develop cooperation, with preference given to programmes designed to promote technological innovation, an increase in employment and the development of the South”*.

Sub-paragraph 3 defines the modalities of intervention which, quite rightly, may be implemented at the funds’ discretion and are not subject to any controlled policy:

- To promote the creation of cooperatives or of companies controlled by cooperatives;
- To finance specific programmes to develop cooperatives and their consortia;
- To organise and to run vocational training courses;
- To promote studies and research on economic and social issues of major interest to the cooperative movement.

The funds have adopted their own rules in order to regulate their interventions to support cooperatives and are able to provide this support in the form of either venture or debt capital.

Coopfond, Fondosviluppo and General Fond share two basic types of financing:

- Promotion activities for the creation of new cooperatives and new companies controlled by cooperatives:
- Interventions to support programmes to invest in fixed asset items.

The maximum amount of the financial intervention provided by the fund is generally 50% of the total value of the investment, but in the case of the underwriting of venture capital, the value underwritten by the fund may not exceed the value underwritten by the worker-members. Thus far, the funds have preferred to provide venture capital as a financing member, since this is a form that allows for the definition of the way in which the fund can exit the structure of the cooperative if it so wishes. The maximum amount that may be provided as a financing member for start-up operations is 25,000 Euros, whilst in other cases a maximum of 50,000 Euros is possible, such as for the medium-term financing provided to support the processes of capitalisation undertaken by the members.

The intervention in the form of capital, with diversified forms of mechanisms for the return of the capital, has made it possible, on the basis of the experience acquired over the course of time, for the Funds to participate in the capital of the cooperatives, thereby helping them to gain an increasingly detailed knowledge regarding the internal issues within each individual cooperative. In turn, this process

has made it possible to constitute an experience and know-how of huge value and this, of course, is in the interest of the entire cooperative movement. The intervention of the funds in the form of capital and loans has been, and continues to be, a formidable instrument to encourage the cooperatives' worker-members to increase their contribution in terms of venture capital. Both of these actions have also significantly strengthened individual cooperatives in their relations with third party financing bodies (starting with the banking system).

One aspect that should not be underestimated is the fact that the resources collected by the funds come from cooperatives of all types (worker, consumer, agricultural, credit, etc.) and may be also be used in different types of cooperative. This has meant that the annual amount of resources collected by the Funds has remained, at least to a certain degree, relatively independent of the economic cycle in each individual sector. As a consequence of this, the possibilities for the usage of the funds have not undergone substantial variations and this has made it possible to overcome particularly complex phases through the usage of funds contributed by cooperatives of a different type in another sector. If the funds had been sector-based, this could not have happened. In this regard, it is important to point out that this is part of the added value generated when cooperatives of a similar type create a form of network amongst themselves and, of course, the added value is even greater in cases in which relations are established between different types of cooperatives.

All of the funds have underwritten agreements with banking institutions, notably the Istituto Centrale delle Banche di Credito Cooperativo (ICCREA) - the Central Institute of the Cooperative Credit Banks, UGF Banca (part of the UGF banking and insurance group, which is controlled by a cooperative) and Banca Etica, a cooperative bank.

During the period 2005-2009, the funds financed 310 operations in favour of worker and social cooperatives and provided a total amount of financing of almost 113 million Euros, more than a third of which was provided in the form of venture capital. The interventions in favour of worker cooperatives were slightly over twice the amount made in favour of social cooperatives, but they accounted for substantially higher amounts of resources.

[Table 5] Financial interventions made by the cooperative development funds 2005 - 2009 (€/000)

	Worker Coops	Social Coops	Total
Interventions	213	97	310
Method of financing:			
Equity capital	34,757	6,192	40,949
Loans	64,651	7,212	71,863
Total	99,408	13,404	112,812

Source: Based on data provided by the development funds

[Table 6] Financing granted by the cooperative development funds per type of intervention – 2005 - 2009

Type of	No. of	Number of	Financing granted	
<i>Intervention</i>	<i>Interventions</i>	jobs created	(€/000)	
			<i>Equity capital</i>	<i>Loans</i>
<i>Worker buy out</i>				
- Workers coops	5	51	275	2,000
- Social coops				
<i>Spin-off</i>				
- Worker coops	1	41	150	350
- Social coops				
<i>Mergers</i>				
- Worker coops	6	595	2,500	3,050
- Social coops	2	150	1,229	100
<i>Development projects</i>				
- Worker coops	90	358	9,843	25,093
- Social coops	34	1,820	2,223	6,551
<i>Creation of controlled companies</i>				
- Worker coops	21	362	5,279	13,566
- Social coops				
<i>Other interventions</i>	39	797	10,289	12,191
Total	198	3,934	30,960	62,275
- Worker coops	162	2,204	28,336	56,250
- Social coops	36	1,970	3,452	6,651

Source: Based on data provided by the development funds

Socoden and IDES in France

The creation of SOCODEN in France is an interesting case of financial support designed for the development of cooperatives. SOCODEN is the main internal financing instrument created in 1965 by the worker cooperative movement in France, financed by a part of the turnover of all affiliated worker cooperatives that have positive results. The funds are then earmarked by SOCODEN on specific projects aimed to respond to the needs of worker cooperatives in the various stages of the life of the enterprise, from start-ups or buy-outs to external growth operations and development, generally under the form of loans or participative certificates. 150 enterprise development projects are implemented every year by SOCODEN and its subsidiaries. Start-ups and the worker buy-out of enterprises in crisis represent 35% of the total, operations of development 37%, salvation 19% and transmission of healthy enterprises to their workers 10%.

The Institute for Development of the Social Economy (IDES) was established in France in order to allow for subscription to the participation certificates. In order to make it possible to launch the participation

certificate on the market, it appeared to be necessary at the same time to mobilize capital intended mainly for subscribing to participation certificates. Thus IDES was formed on March 10, 1983 in an original approach, since it brings together the main financial institutions of the social economy: cooperative banks, mutual insurance companies, cooperative federations and mutual health insurance organizations, in addition to the State. IDES thus forms part of a system of resource mutualization, as its shareholders do not expect substantial returns from it but sound and balanced management that enables it to generate the resources needed to continue its activity in view of the characteristics of its products. When it was first established, IDES was endowed with a capital of € 9 million, which was then increased to 15 million and then to 30 million in 2002 and is currently undergoing a new capital increase.

According to its statutes, IDES has had two missions since it was founded:

- To provide equity capital to the enterprises of the social economy or to their subsidiaries in the form of participation certificates or convertible bonds.
- At the request of the State, to perform public-interest missions aimed at creating situations that foster the development of the social economy sector and at facilitating enterprises' access to new markets.

Hence the State has always kept a percentage of around 26%, with the remainder of the capital being held either by State agencies (10% by the Caisse des Dépôts et Consignations), or by the social economy's institutions with a financial vocation (cooperative banks and mutual insurance companies).

Traditional venture conventional companies seek above all to increase the value of the capital they invest in a company. Consequently they are reluctant to invest in social economy enterprises in which, by design, this objective cannot be achieved. IDES is the only venture conventional company capable of acting at high levels of equity in the social economy and of subscribing to participation certificates or convertible bonds.

In the course of 27 years of work in favour of the social economy, IDES has invested € 59.95 million in 403 enterprises in this sector, 280 of which were worker cooperatives. As at December 31, 2009, it was a stakeholder in 105 enterprises with stakes worth a net € 20,438,000 euros. The average amount of IDES's investments in worker cooperatives is still lower than € 200,000. It is higher for retailers' cooperatives or networks such as BIOCOOP. The exceptions concern external growth operations for which the requirements can be as high as € 1 million, but they are few in number.

In half of its actions, IDES finances the expansion operations of enterprises. 40% of its ongoing investments go to more risky operations involving the formation, restructuring and takeover of enterprises. Lastly, 8% of its ongoing investments concern operations involving the passing on of enterprises to a successor.

2.8. CONSTITUTION OF NETWORKS, GROUPS AND CONSORTIA

The cooperative way of functioning is built upon the principle of inter-cooperation which is implemented through the creation and development of various entities such as business support institutions, consortia and federations and plays an essential role in the long-term development of cooperatives. Even though cooperatives often collaborate with public authorities through public contracts, concessions etc., institutions supporting cooperatives constitute the major source of cooperative development because they are designed to meet the specific developmental needs of cooperatives.

Among the various modalities of inter-cooperation among cooperatives, cooperative groups, namely horizontal (peer) groups among cooperatives probably constitute one of the most original business combinations which cooperatives have contributed to entrepreneurship. They allow the individual, grassroots, enterprises to remain small to medium sized enterprises (SMEs) while putting in common business strategies, innovation, R&D, financing, internationalization, education, relation with universities and with government entities etc., namely creating full-fledged clusters.

Mondragon in Spain

MONDRAGON is certainly the most famous and the most developed of the cooperative groups belonging to the CICOPA network. It is a group of over 110 cooperatives located in the Basque Autonomous Region of Spain and located around the small town of Mondragón/ Arrasate. The group is mainly active in industry, but also in retail, banking, agriculture, services, education and research. It is the first business group of the Basque region and the 10th one in Spain, with an annual turnover of around 14 billion euro, most of which is produced with clients outside Spain, as well as the 4th Spanish employer with a workforce of over 83,000 people. It has become increasingly international, with 73 plants in 18 other countries of the world.

The MONDRAGON group originated in 1943, when a catholic priest, Jose Maria Arizmendiarieta, who would be one of the main inspirers of this cooperative experience, established a vocational school in Mondragón.

In 1956, a handful of students from the school established a first industrial cooperative on the worker cooperative model, which was followed by a few others: together, these cooperatives established a first grouping among themselves, as well as a cooperative bank (Caja Laboral, in 1959), with an entrepreneurial division which, in turn, incubated many other cooperatives and cooperative groupings. Several common services were gradually established among the cooperatives thus created, in particular in education, research (as early as 1974, with Ikerlan) and welfare insurance (in 1978 with Lagun Aro).

In the early 1980s, the MONDRAGON experience was submitted to a first big test of resilience: the Basque region was struck by a significant economic crisis, but the group suffered virtually no enterprise closure and no job losses.

Adapting itself to the entry into the EU and globalization, the MONDRAGON cooperatives democratically established among themselves a corporation in 1991, with new financial instruments, in particular in the field of investment, and a dynamic strategy of internationalization, getting closer to their clients and to their production partners in global chains of production and distribution.

The various educational centres grouped together to constitute a university in 1997 (now with over 9,000 students).

The MONDRAGON group is an excellent example of a horizontal and democratic enterprise group, legitimizing all decisions and involving over a hundred enterprises and tens of thousands of worker-members through democratic procedures. It provides both complete autonomy to each cooperative, and a say for each cooperative and each cooperative member in all the overall strategic decisions of the group as a whole, a process culminating in the MONDRAGON Congress.

MONDRAGON also provides a particularly accomplished example of how a cooperative group can not only create entrepreneurship and employment, but profoundly transform a whole European region. Indeed, the Basque country is second only to Madrid in terms of GDP per inhabitants, and one of the highest in Europe, according to Eurostat. This owes much to MONDRAGON, which generates over 3% of the regional GDP.

CGM in Italy

Established in 1987 (before the introduction, in 1991, of law 381 on social cooperatives), CGM (Consorzio Gino Mattarelli) is the largest Italian group of social cooperatives, comprising 969 cooperatives and 80 cooperative consortia in all parts of Italy, with a total workforce of 45,000 workers (among whom about 10% are disadvantaged) and an aggregate turnover of 1.1 billion euros which, in spite of the crisis, increased by 15% between 2008 and 2010. 700,000 Italian families benefit from the different services provided by the cooperatives of the group, mainly in the fields of social care, health care and education. CGM provides a national platform among its constituent cooperatives for the exchange of information, know-how and training. The tools put in place by CGM during the last few years are a good example of a strategy for growth and anticipating change (including crises): in 2006, CGM re-configured itself as a peer group ("gruppo paritetico"), a new legal figure in Italy, and established eight subsidiaries, controlled by its constituent local consortia, and specialized in different fields: Accordi (for the environment and job placement); Comunità solidali (for social care services); Luoghi per crescere (for education); Mestieri (for job orientation and training); Cgm Finance (for financing); Solidarete (for internationalization); Connecting people (for the social inclusion of migrants) and Welfare Italia (for health services). While the CGM system gradually grew from the local to the national level in a bottom-up dynamic, this elaborate service system with subsidiaries has, in turn, been developed from the national to the local level, by the application of brands and services into local initiatives that are supported by the constituent cooperatives

CNS (Consorzio Nazionale dei Servizi) in Italy

The Consorzio Nazionale dei Servizi (CNS) was established in Rome in 1977 as a secondary level cooperative at the initiative of 11 worker cooperatives active in the service sector. The initial purpose of the consortium was to acquire work contracts from private or public entities to be carried out by the member cooperatives. Initially the activities took place in the following sectors: cleaning, portering, maintenance, ecological services, catering and social services. Over the course of time, the skills and areas of expertise have expanded and increased and the member cooperatives have grown and diversified.

From the original figure of 11 in 1977, the number of member cooperatives exceeded 200 in 2000 and the following sectors of activity have been added to the consortium's initial portfolio: reception and concierge services, tourism and museums, energy management and, above all, facility management, or in other words the integrated management of a range of services. Most are worker cooperatives, but we also find several social cooperatives. Today, the consortium is a leading service provider in Italy and it counts 232 cooperatives employing 93,000 workers.

The total turnover has been registering a regular progression which is around an average of 1, 87% (+1.71% 2010/2009 and +2.04% 2011/2010) and has reached 600 million Euros in 2011.

As a result of its coordinating activities, the consortium acquires work contracts or concessions, mainly on behalf of its member cooperatives and negotiates the contract before ensuring that it is carried out through the technical, organisational and managerial structure, equipment and workforce of its members, to whom it entrusts the undertaking of the work. A great deal of energy is used to provide services to the membership. The consortium organises promotion activities to help the members grasp available market opportunities and defines specific entrepreneurial actions that involve the financing members in the management of complex contracts and in the promotion of new business areas. CNS has also started up a cooperative and management training school in the services sector.

Nine territorial offices are accountable to the executive and administrative office in Bologna. Thanks to both the widespread presence of its territorial offices and the homogenous presence of its member cooperatives across the various regions, the consortium is now well established throughout Italy.

Either indirectly through its own members, or directly through specific projects undertaken with its own member social cooperatives, the consortium actively promotes practices aimed at the social inclusion of disadvantaged persons, or rather a better or complete integration of the person in the social and economic context in which he or she lives. Many of the social cooperatives that are members of CNS have been able to operate successfully on the market and to meet with the increasingly complex requirements imposed by the market. Indeed, 19% of the total turnover of the social cooperatives that are members of CNS is generated through contracts that have been awarded to the consortium.

There is no doubt that the growth of the consortium is also due to its place within the wider cooperative movement. CNS is a member of the national, regional and provincial bodies of the Italian cooperative confederation Legacoop and is configured in such a way that, in all respects, it is a structure that is part

of the cooperative movement at the service of cooperatives. In this way, CNS has been an instrument for the growth and consolidation of the member cooperative enterprises and a system that allows for the transfer of skills and professionalism in order to maintain high operating standards and to promote company growth, even in contexts and geographical areas that are not particularly well-developed.

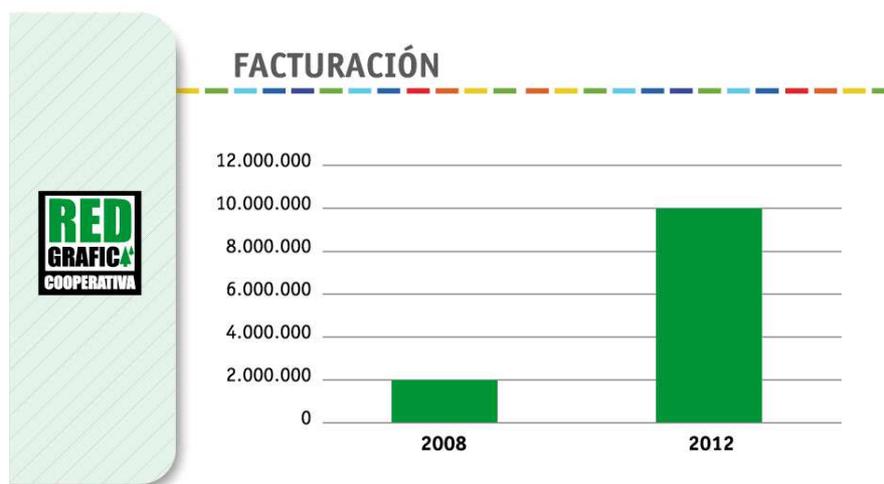
Red Grafica Cooperativa (Cooperative Graphics Network) in Argentina

One innovative strategy developed to address these challenges is the formation of Red Gráfica Cooperativa (Cooperative Graphics Network), a second-level cooperative, by seven Argentinean cooperatives active in the graphics sector in September 2007. Today, Red Gráfica regroups 18 cooperatives, 11 of which are the outcome of worker buyouts.

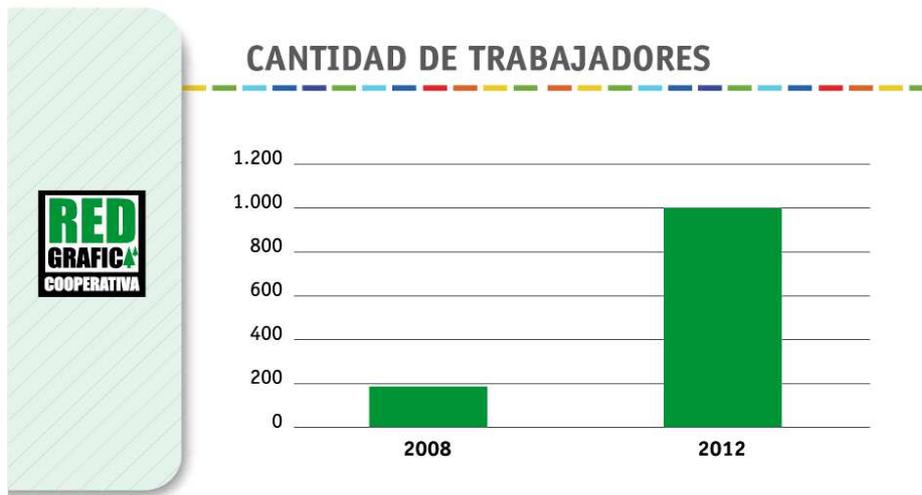
Red Grafica promotes the competitiveness and economic and social sustainability of its member cooperatives. To this end, it encourages the integration of production, the application of business management tools, training, innovation, creativity and regular exercise of solidarity, democracy and responsibility. The main objectives of Red Grafica are the implementation of common strategies related to purchasing, warehousing, production, quality, research and development, human resources, training and development, strategic and operational planning, financing, sales and marketing, press, broadcasting and advertising.

In addition to that, Red Grafica assists buy outs of graphics enterprises under the worker cooperative form. The following two graphs show the development of Red Grafica over the last four years in terms of both turnover and jobs.

[Fig. 1] Red Grafica - Turnover in Argentine Peso (ARS)



[Fig. 2]: Red Grafica - Number of workers



The CoopZone Developers' Network Co-operative (Canada)

The CoopZone Developers' Network Co-operative is a network of people and organizations that help to start and develop cooperatives, and to foster interest in learning more about co-ops. It is aimed to enhance the quality of life in Canada by promoting and supporting the growth and development of cooperatives, through mobilizing cooperative developers committed to the vision and objectives of the cooperative movement.

Key Functions of the CoopZone Developers Network:

- To identify and develop a self-supporting group of co-op developers that is committed to the vision and objectives of the cooperative movement;
- To increase the interaction among consultants, developers and other professionals working with existing or new cooperatives;
- To stimulate the development and sharing of cooperative resource materials;
- To provide opportunities for on-going skill enhancement and training;
- To provide members of the CZDN with access to cooperative development opportunities, where applicable;
- To stimulate the development of new cooperatives by linking qualified developers to co-op development opportunities;
- To encourage new and existing co-operatives to join the appropriate co-op sector organisations.

The membership of CoopZone includes: independent developers (consultants) and staff of some co-operative federations and associations (provincial and national). Its membership has recently been expanded to include a network of co-op lawyers. The network carries out the activities noted above on a

budget of about \$16,000 a year, an extremely modest budget which primarily allows it to network its members and provide a communication vehicle (listserv) for exchange of ideas. The network also has developed 4 cooperative development training courses providing introductory to advanced training for co-op development facilitators. These training programs are self-supporting through tuition fees and the revenue for them is not included in the budget referred to above.

The development of CoopZone and the earlier Worker Co-op Developers Network which was created by the CWCF back in 2000 are a response to the fact that, in all regions except Quebec, there are very little financial resources dedicated to cooperative development and so there is virtually no capacity to have dedicated full time staff supporting co-op development. Given the geography of Canada with most of its population spread across a 7000 km southern stretch, not to mention its vast northern region, it is extremely costly to have co-op development resource groups dispersed throughout the country. It also means that the cadre of cooperative development facilitators is spread very thinly across the country. So CoopZone is the attempt to bring this geographically dispersed group together and to assist start-up groups wanting to create a cooperative in their community to find a development facilitator who is truly knowledgeable about cooperatives.

2.9. WORKER AND SOCIAL COOPERATIVES IN RURAL CONTEXTS

The link between cooperatives and rural communities represents a key driving force in development (. Thanks to their strong community embeddedness, these cooperatives can substantially contribute to sustainable job creation, social and labour integration of disadvantaged people, a sustainable use and valorization of local resources, social cohesion and local democracy, also in the countryside.

In particular, a number of concrete experiences prove that cooperatives active in industry and services can play , central role in terms of rural communities' empowerment preventing them from phenomena such as depopulation, local market collapse and general abandonment.

Andalusía

In Andalusía there are 4,023 cooperatives, 79.4% of which are worker cooperatives, employing more than 40,000 people. The creation of new cooperatives increased by 36.36% during the first semester of 2013 compared with the same period on 2012.

80% of Andalusían municipalities have at least one cooperative which plays an important role as local development agent, in particular from the point of view of entrepreneurship and the creation of sustainable jobs.

FAECTA, the Andalusian federation of worker cooperatives, is developing a strategy to encourage business and job placements in rural zones, with the creation of new cooperatives, especially those created by young people.

FAECTA's strategy is based on the following pillars:

- to support a stronger connection between worker cooperatives and other actors of the social economy;
- to improve training and people's empowerment;
- to develop local worker cooperatives;
- to increase employment opportunities for young people and women;
- to support labour integration of disadvantaged people (long-term unemployed, old people ecc.);
- to offer good quality services in partnership with the municipalities.

The table below reflects a particularly even distribution between more urban provinces such as Sevilla and Malaga and more rural ones.

[Table 7] Andalusian worker cooperatives by province

6,2%	Almería
9,8	Cádiz
11,8	Córdoba
12,2	Granada
7,6	Huelva
12,2	Jaén
12,5	Málaga
27,8	Sevilla

Source : FAECTA

*Ardelaine (France)*⁵²

Located in the small village of St. Pierreville in the Ardeche district of France's Rhône Alpes Region, Ardelaine was established in 1982 as a worker cooperative for the processing of local wool and the manufacture of bedding and clothes. The aim was to revive and promote the use of local wool (it is located in the district's main sheep-rearing area) and to restructure the sector with a view to establishing an industry based on an ecological and fair trade approach. This is an emblematic example of how cooperatives can influence local development by promoting the local resources of a neglected territory.

The wool comes from 250 sheep farms representing some 45,000 sheep and is processed by means of old - and nowadays rare – machines acquired after the old spinning mills had already been shut down and used for the production of small quantities. Every stage of production is carried out in-house using traditional processes: sheep shearing, wool washing, centrifuging, drying, carding, spinning etc.. The products are sold in the shop on the production site, on the Internet and at biological fairs and

⁵² More detailed information about this cooperative can be found in *Cooperatives, Territories and Jobs: Twenty experiences of cooperatives active in industry and services across Europe*, CECOP Publications, 2011

exhibitions.

Through its strategy based on local embeddedness, diversification and job creation based on territorial resources, Ardelaine cooperative has created and sustained an average of more than one full-time job per year over the last 25 years, employing 44 people today. In line with the strategy of compensating for the geographical isolation of the site and improving its attractiveness, Ardelaine has also developed some cultural and touristic activities.

By now, the cooperative has developed different types of activities:

- Up stream (shearing, collection, carding, wool preparation);
- Processing (mattress workshop, bedding workshop, knitting and garments workshop);
- Direct marketing (sales outlet located on site, trade fairs and exhibitions for organic products, mail order and internet sales);
- Tourism and culture (an itinerary including a visit to the museum on the history of the methods used to work with wool, with thousands of visitors per year).

In order to assess the role played by the Ardelaine cooperative as a vector for social inclusion, there is a need to take into account its specific geographical location: the cooperative is located in a small village in the mid-range of the Ardeche mountains, one hour from the nearest town. Although this territory was highly populated before the XXth century, many of its inhabitants were lost during the First World War and the village became even more depopulated after the Second World War. This area has been designated as a Rural Revitalisation Zone.

In addition to that, the complementarity of Ardelaine's work with other economic activities should be underlined: it has a long-standing relationship with the 250 breeders whose sheep it shears and collects wool from. In many cases, the cooperative has worked with the same breeders for more than 25 years or has established a working relationship with new breeders who have taken over sheep farms in the area. Furthermore, the cooperative is seeking to develop a platform for dialogue with all of the actors in the sector: upstream (with the 230 breeders), at the inter-sectoral level (various sectors covered by Ardelaine) and downstream (the clients). In order to achieve this aim, it currently coordinates a network of 2,000 clients who have expressed solidarity with the values upheld by the cooperative, beyond the mere consumption of its products.

Ardelaine has made a conscious decision to resist the general tendency towards a de-localised economy that is instrumentalized by the financial markets and the de-humanisation of organisations. The members of the cooperative consider that its real business is neither wool nor tourism, rather it is the development of the territory in which it is embedded. Their intention is to let it continue to grow through the diversification of its activities, as long as this is of benefit to the territory.

More recently (in 2010) Ardelaine has also created a restaurant under the form of a daughter cooperative (see section 2.12 below) to promote local food products and educate people about them, and has intensified the efforts to develop educational tools on sustainable development of the social economy and on local development.

The cooperative plays hosts to many school visits (of all ages, right up to university students) and works in partnership with the Rhône Alpes Region (having been identified as one of the “treasures of sustainable development in the Rhône Alpes” Region) and with the Monts d’Ardèche Regional Natural Park.

2.10. MULTISTAKEHOLDER COOPERATIVES

Local and regional development requires first and foremost the active involvement of the various categories of stakeholders present on the territory. Cooperative members are not passive objects of assistance, but owner-stakeholders who jointly control the economic organisations through which they satisfy their needs and aspirations. This characteristic thus creates a fundamental link with the territory. In the case of the worker-members that constitute worker and social cooperatives this stakeholder link is particularly strong, as they experience it all along their working life.

Multi-stakeholder cooperatives are formed when different stakeholder groups share a common interest in the success of an enterprise. The various groups or classes of membership are designated in the cooperative’s bye-laws and they can include individuals from different groups such as consumers, producers, or workers. They can also include incorporated organizations such as non-profits, co-ops, businesses or municipalities.

Multi-stakeholder cooperatives are most often used as a tool for community and social development - based on the input of diverse groups such as employees, clients, community organizations, local municipalities, government agencies or investors.

Solidarity cooperative in Quebec

In Canada, the multi-stakeholder model was first used in Quebec where it is known as “solidarity cooperative”. This type of cooperative, which was introduced by the 1997 “Co-operatives Act”, started out mostly in health and home care but in recent years it has been used also in local foods, biofuels and community economic development⁵³.

In solidarity cooperatives, there can be 3 different categories of members: 1) users of the services offered by the cooperative; 2) workers; 3) any other person or company who has an economic or social interest in attaining the objective of the co-operative can also be a member of the co-operative as “supporting member”.

The impact of this model in Quebec has been quite high: In the ten-year period from 1997 to 2007, 479 solidarity cooperatives were created⁵⁴. Solidarity cooperatives were developed to attract new key players of civil society.

⁵³ See the CCA (Canadian Co-operative Association) website:

<http://www.coopscanada.coop/en/orphan/Multi-Stakeholder-Co-ops>

⁵⁴ Jean-Pierre Girard, “Solidarity Co-operatives (Quebec, Canada): How Social Enterprises can Combine Social and Economic Goals”, University of Sherbrook, Canada (2009)

La Mauve is a solidarity cooperative in the Bellechasse region of Quebec that focuses on sustainable development, making use of innovative agricultural and agroforestry practices. To promote social and economic solidarity between generations, they also support local producers and fair trade through their food store and distribution of summer produce baskets. These activities enable them to strengthen the bonds between consumers and small producers⁵⁵.

SCIC in France

Collective Interest Cooperative Societies (SCIC)⁵⁶ were established by French law in 2002. According to this law, at least 3 categories must be represented, the first two being mandatory: 1) worker members; 2) users; 3) any physical or legal person which does not correspond to the first 2 categories (e.g. associations, volunteers, public authorities etc.).

SCIC produce all types of goods and services which meet the collective needs of a territory with the best possible mobilization of its economic and social resources, bringing together employees, users, volunteers, and local authorities to implement local development projects. The social utility of a SCIC is also guaranteed by its vocation to organize, between any actors, a practice of dialogue, democratic debate and citizenship empowerment.

The SCIC abide by cooperative rules: governance is based on the principle of 1 person = 1 vote; by involving all the members in the life of the enterprise as well as in its management; by keeping all the results of the company in indivisible funds to guarantee its autonomy and perennial character. In 2012, about 200 SCIC were registered in France (with a rhythm of 2 cooperatives per month throughout the last two years). 59% having been established from scratch, 31% being transformations from associations, and 10% being the result of a conversion from another type of enterprise.

For example, the SCIC *Cinémas Bocage* has a socio-educational mission: it is in charge of programming and managing 7 cinemas in several French departments of Poitou-Charentes et Loire regions. It allows the local population of the countryside to have access to cinema at affordable prices. Local municipalities are members of the cooperative.

2.11. MIXED AND TRANSITIONAL FORMS OF COOPERATIVES

A number of legislations and statuses make it possible to create a mixed type of worker cooperative, generally in a transition towards full-fledged worker cooperatives.

There are specific mechanisms by which an employer can pass his business to his/her staff over a few years' period. The French Social and Solidarity Economy draft law aims partly to improve this mechanism and provide the employees majority control over their business, a few years before they get full ownership. This may be particularly useful in larger types of business transfers to the employees, in

⁵⁵ http://crises.org/images/stories/cahiers_crises_10_02.pdf

⁵⁶ <http://www.les-scic.coop/sites/fr/les-scic/definition.html>

which the latter cannot buy out expensive assets at once, even with the help of bank loans and the intervention of cooperative non-banking financial institutions.

The mechanism sought by this French draft legislation finds its inspiration in an already existing typology in Quebec, the shareholding cooperative; this is a cooperative among the workers of a conventional company. The workers contribute cooperative shares to the cooperative, while the latter invests (conventional) shares in the conventional company. This may allow the employees to have a blocking minority and obtain inside business information by sitting on the board, and this can lay the basis for a transition towards a worker buy out.

The Spanish cooperative legislation foresees the typology of “mixed cooperatives” in which conventional investors or another cooperative can take up to 49% of the share capital.

In France we find two main modalities of deferred transformation into a cooperative:

- a) buyout by a worker cooperative and maintenance in the form of a subsidiary prior to possible conversion. This consists in being bought out by an existing cooperative, which does not necessarily lead to immediate conversion into a cooperative but defers the process until later.
- b) creation of a takeover holding company. The company taken over is a wholly-owned subsidiary of a holding company which is majority-owned by the cooperative; The first stage towards an exit in the form of a cooperative depends on the repayment of the holding company’s debt to the banking partners by means of dividend paybacks, while seeking a fiscal cost that is as low as possible. Then, following reimbursement of the acquisition debt, a record is kept of the exit in the shareholders’ agreement when the financiers enter the takeover holding company alongside the cooperative. It is compulsory for the shares owned by the financial investors to be sold to the cooperative, which then owns 100% of the holding company. The company taken over becomes a subsidiary of the worker cooperative, which can proceed, as it wishes, either to conduct a merger of that company with itself, or to maintain a wholly-owned subsidiary under the conditions indicated previously, that is, for 10 years, following which it will have to gradually sell the shares to the employees who eventually can hold only 34% of the subsidiary company⁵⁷.

2.12. COOPERATIVES AND EMERGING SECTORS: TOURISM

Tourism is a key sector of the European economy, generating over 10% of EU GDP (directly or indirectly) and employing 9.7 million citizens in 1.8 million businesses. It is indeed one of the economic activities with most significant potential to generate future growth and employment in the EU.

As stated in the "Agenda for a sustainable and competitive European tourism" approved by the European Commission in October 2007, one of the major contemporary challenges is to find “the right balance between an autonomous development of the destinations and the protection of their

⁵⁷ Soulage F. France : an Endeavour at Enterprise Transformation ; in Zevi at Al : *Beyond the Crisis : Cooperatives, Work, Finance* ; Brussels : CECOP Publications, 2011

environment on the one side and the development of a competitive economic activity on the other side". Furthermore, "tourism is particularly important when it comes to offering job opportunities to young people, who represent twice as much of the labour force in tourism than in the rest of the economy".

Cooperatives provide a substantial contribution to the sustainable development of this sector, in many different ways. Cooperative tourism can improve the tourism supply in Europe both qualitatively and quantitatively, exploiting its huge potential in terms of both territorial and entrepreneurial competences.

Cooperative tourism in Malta

CICOPA's member Koperattivi Malta (cooperative federation set up by the Co-operative Societies Act of 2001 for the purpose of representing and promoting the cooperative movement in the Maltese Islands) associates, among others, 13 cooperatives enlisted under the category of 'Agriculture and Farming'. Most cooperatives are based in various localities found in Malta and Gozo. These localities involve rich agricultural scenery with potential exploitation for agri-tourism activities. Additionally these cooperatives take part in various community based festivals organized by the municipality on a yearly basis. Some examples are: Pumpkin Fest; Strawberry Festival ; Bakery Festival ; Grape Pressing by Siggiewi Farmers.

In addition to that, there are other cooperatives whose activities are deeply embedded in their territory with a strong touristic potential:

- the Fishermen's Coop: a cooperative which provides services to its fishermen members as well as is currently diversifying its services aimed at provided tours around the Mediterranean sea to tourists on traditional fishing techniques and culinary fishing dishes;
- Fair Trade Cooperative: a coop which sells artisan and craft materials from developing countries;
- Gozitan Artisan and Crafts Coop – a cooperative which involves the traditional 'lace making craft' as well as other traditional crafts such as ceramics, glass blowing and other crafts found on our sister island Gozo;
- Barklori Coop – a cooperative focusing on the traditional Maltese boat aimed at regenerating and conserving as well as creating awareness on this important traditional boat. Activities include boat building (multi-coloured boats) as well as tours around the Grand Harbour of Malta mostly for tourists;
- Bakeries Coop – a coop that brings together traditional Maltese bakers – tourists have the opportunity to visit these century old bakeries and experience bread tasting.

Moreover, there are some interesting examples of cooperatives whose activates are directly related to the valorization of the cultural heritage:

- Archaeology Services Cooperative Ltd aims at enhancing the knowledge and appreciation towards the archeological and historical heritage of the country. It also provides professional advice on the effect of the impact on the environment.
- The Restoration and Conservation Coop - This cooperative was set up with the intention of offering an efficient and viable service in the sector of conservation, restoration and documentation of

heritage and objects of value to Maltese and international society.

Achieving economies of scale: the cooperative consortium COOPRENA (Costa Rica)

COOPRENA RL, the National Network of Cooperatives in Ecotourism, is an organization created in Costa Rica to improve the life of rural community members by developing nontraditional tourism products. The organization works to promote rural tourism and integrate the livelihoods and talents of each cooperative with the tourism industry⁵⁸.

COOPRENA affiliates 23 organisations among cooperatives, development associations, and tourism associations. It has implemented projects involving more than 40 communities in Costa Rica. Currently, COOPRENA is working in several different locations throughout Costa Rica.

COOPRENA targets tourists who are interested in being immersed in Costa Rican culture, learning the language, eating typical dishes, and creating a meaningful relationship between the tourist and host. Each cooperative or location is facilitated by COOPRENA to generate new alternatives to diversify community products and create a sustainable way to utilize natural resources.

COOPRENA provides its members with the following services:

- Technical assistance and training;
- Funding;
- Marketing and sales;
- Administrative services;
- aSale of members' touristic products via the travel agency "Symbiosis Cooprena Tours";
- Promotion of the cooperative model of rural community tourism.

2.13. COOPERATIVES DEALING WITH SPECIFIC SOCIAL CHALLENGES

Support to immigrants in the US

There are a number of organizations establishing worker cooperatives with immigrants in the US.

Generally speaking, these are of two types:

- NGOs that have a broader social mission to support immigrants (for example, workers' centres that protect vulnerable workers in certain industries or family support organizations in a particular city). These groups generally see worker cooperatives as a tool to advance their larger mission, or are responding to a need or request from their constituents to develop cooperatives. They tend to develop cooperatives in the industries in which their immigrant constituents are already working, and the cooperatives aim to create better working conditions and stabilize employment. Some examples of

⁵⁸ <http://turismoruralcr.com>

industries are: house cleaning, child care, elder care, catering. There are a number of examples: Center for Family Life in New York, Latino Economic Development Center in Minneapolis, Workers Defence Project in Austin.

- Cooperative development organisations established specifically to support the development of worker cooperatives with immigrant groups. These organisations have dedicated resources and staff to help start worker cooperatives, and generally do a more thorough job of planning, capitalization, and ongoing support. They tend to develop cooperatives in a single target industry which they study and in which they hope to have a broader impact. The cooperatives aim to stabilize employment and build wealth for their members, as well as to elevate conditions and pay in the industry by setting an example. Examples of these industries so far are house cleaning and home health care, and in this model the cooperatives tend to be much larger and longer-lived than in the first model.

An emblematic example of a cooperative development organization is the Women's Action to Gain Economic Security (WAGES)⁵⁹, based in Oakland and dedicated to promoting the economic and social well-being of low-income women (mostly immigrants) through worker cooperatives with an emphasis on environmentally friendly techniques as a way to protect workers' health and the environment. The cooperatives provide improved financial stability for low-wage workers and expand the economic and social empowerment of their families and communities throughout the greater Bay Area. Currently, WAGES supports five thriving cooperatives of more than 95 women, all of whom are worker-owners of eco-friendly housecleaning businesses.

The Argentinian experience in services for prisoners

The Argentinian worker cooperative federation FECOOTRA is developing a special programme of re-integration aimed at integrating prison-dwellers through cooperative work.

The worker cooperative “Kbrones”, created in 2010, is the very first cooperative of its kind in Argentina and the second one in South America. It is active in the sector of textiles and leather goods. This enterprise is the proof that it is possible to work to relinquish delinquency through the cooperative experience. Besides being formed by former prisoners and their relatives, the cooperative also associates various textile professionals of different nationalities living in precarious employment situations.

Both FECOOTRA and the founders of Kbrones organise training courses in order to multiply this experience. Indeed, another textile cooperative gathering prisoners, “*Elefante Negro*”, has been established in the province of Corrientes, in Argentina, where the rates of recurrence is very high. It involves more than 25 prisoners and comprises 10 worker-members, 2 of them being on bail.

Other similar initiatives are being developed now and the Argentinian Criminal Enforcement Court declared the cooperative form to be the most suitable one to exercise the right to work in prisons.

⁵⁹ <http://wagescooperatives.org>

PART 3. CICOPA’S EXPERIENCE IN DEVELOPMENT PROJECTS, INSTITUTION BUILDING, AND LEGISLATION AND STANDARDS

3.1. COORDINATION OF COMPLEX DEVELOPMENT PROJECTS

In the 1990s, CICOPA and its bodies gained direct experience in designing and coordinating development projects in various parts of the world, in particular the Southern cone of South America, Central America, West Africa, India, China and central-eastern Europe, based on the development experience of members at the national level.

The latter three project areas were particularly significant.

The CICOPA India project (1996 – 1999), co-financed by the European Commission, revived many artisanal cooperatives (silk, cotton, wool, shoemaking etc) in Rajasthan, Madhya Pradesh and Karnataka that had stopped production following the end of systematic state procurement at the beginning of the 1990s. The number of cooperatives revived through the project grew from 62 to 99 units between 1997 and 1999, and the number of jobs grew from around 3000 to around 6850 over the same period.⁶⁰

The CICOPA China project (1996 – 1999), also co-financed by the European Commission, which focused almost exclusively on the Shanghai area and on business transfers to the employees under the cooperative form, saw the establishment of a development centre called Ximeng which orchestrated the cooperativisation of as many as 99 state or “collective” enterprises in various industrial sectors, taking advantage of a wave of restructuring and privatization after the 1997 Communist Party congress decided to “keep the big [enterprises] and let go the small [ones]” (zhua da fang xiao). This was a drop in the ocean in what actually was probably one of the largest and quickest restructuring processes in world history (with a majority of Chinese businesses being restructured, most of them as limited companies in less than 3 years’ time). Nevertheless, the cooperativised enterprises employed over 35 000 employees, most of whom became worker-members and kept their jobs, whereas the latter’s future and the future of their enterprise was more than uncertain had these enterprises closed down or had they been restructured under a different business model. In the final report of the project to the European Commission, it was estimated that at least 9000 jobs had been created or maintained through the project. In order to provide strategic input to the project leaders and train the project operators, CICOPA directly organised exposure trips to Shanghai by representatives from Spain and France, and of Chinese representatives to Italy, France and India.⁶¹ Under a previous project, Chinese cooperative leaders had already visited the Mondragon group twice, in 1993 and 1994.

As of 1998, CECOP CICOPA-Europe (CICOPA’s regional organisation for Europe) began coordinating

⁶⁰ CICOPA: *Appui au développement des entreprises cooperatives industrielles et de services de l’Inde, deuxième rapport intermédiaire*, 1999

⁶¹ CICOPA: *EU-China Cooperative Development Programme - Final Report*, 1999

projects in Central-Eastern Europe.

Under the CECOP-East project, cooperative leaders from Poland, the Czech Republic, Slovakia and Bulgaria had a series of exchanges with cooperative organisations from Western Europe. Among other things, a one week study visit was prepared and organised in Mondragon.

This project was followed by the larger and more complex SCOPE 1 and SCOPE 2 projects between 2000 and 2005, involving 37 cooperative organisations from 17 European countries (7 Western European countries and 10 accession countries in Central-Eastern Europe). These two successive projects focused on the adaptation of the cooperative organisations of the latter countries to the EU legislation and on the consolidation of these organisations (institution-building). Many study and training trips were organised (eg Estonians to Finland, Romanians to France, Poles to Italy etc) in order to strengthen the strategic and technical capacities of the Central-Eastern European cooperative organisations.

3.2. ELABORATION OF CICOPA'S COOPERATIVE DEVELOPMENT STRATEGY

Based on one decade and a half of direct development project experience and on many decades of regional and national development experience of its members, CICOPA gradually elaborated, together with its members worldwide, a Cooperative Development Strategy, based on three levels:

1. Micro-level
2. Meso-level
3. National and international level

The following is an extract of the Cooperative Development Strategy approved by CICOPA's 2009 General Assembly:

« 1. Micro-level

A cooperative development process always starts at micro-level. People should be able to establish cooperative with low administrative requirements. In countries where the informal sector is strong, pre-cooperatives should be allowed to be constituted and subsequently gradually transformed into full-fledged formal sector cooperatives.

In order to kick-start a cooperative development process, a basic support system is necessary, which can:

- *identify meeting places where the ideas of cooperatives can be discussed, and where the mobilisation of actors can be initiated;*
- *provide education and training, delivering the necessary fundamental skills to start a cooperative enterprise;*
- *Provide advice, with a group of supporting experts and advisory services that guarantee the following up of the activities;*
- *initiate a credit system: the initial credit has to be provided by established or provisional cooperative meso-level institutions, within the framework of a basic project.*

2. Meso-level

Cooperative action in development cannot be intended as merely “micro”. A “meso” dimension is fundamental. It corresponds to the 6th cooperative principle of inter-cooperation. Meso-level institutions are crucial to the sustainable development of cooperatives.

The following meso-level structures are crucial to consolidate and optimize a cooperative development process:

- Business support institutions, generally deep-seated in the territory, such as cooperative development centres, training centres, advisory institutions, R&D institutions, non-banking financial instruments (allowing for a better access to bank loans) etc. They aim at promoting and supporting cooperative enterprises in order to ensure the long-term sustainability of their activity, including the development of new entrepreneurial models and solutions in response to articulated needs and aspirations. As much as possible, those institutions should belong to the cooperatives themselves, and be controlled by them, even if they receive government subsidies, because they are then more likely to respond to the grassroots cooperatives’ needs (as cooperatives of cooperatives).*
- Consortia, groups of cooperatives that cluster to partake in a common activity or share their resources to achieve common goals. Their creation derives either from the impulse of a single company or from the collective comprehension of potential benefits. They can share the geographical location or the operating field, according to specific objectives and needs. The network effect, fashioned by economical, human and technical partnerships, generates an inter-enterprise weight and conscience. The evolution of the group construction may start with simple networks, to evolve towards consortia (cooperatives of cooperatives), up to integrated horizontal (or peer) groups.*
- Local/regional/national federations, according to the dimensions and needs of the cooperative movement. They are responsible for the representation of interests with institutions (public authorities, trade unions, universities etc) and other types of associative/political networking among the represented cooperatives. The autonomy and democracy of meso-level institutions (whose leadership is elected by legal members) from governments guarantee a commitment centred on members/beneficiaries and the reflection of the grassroots’ will.*

3. National and international level

It is fundamental

- to create or reinforce a coherent system of representation (sub-national and national, sectoral and inter-sectoral) that represents all the cooperatives in a given national environment. The system should be able to transpose the cooperative local development experience into regional and national public policies and legislation (to regulate, control and promote cooperatives) through lobbying and negotiations, and, when possible, by being permanent actors in national consultation bodies or social dialogue bodies;*
- to complete a comparative legislation work and to improve the legal cooperative framework (intersectoral/sectoral), as far as worker, social and artisans’ cooperatives are concerned.*
- to promote international trade among cooperatives, thus helping cooperatives to take part in the globalised economy. Cooperatives involved in industry and services have been cooperating only to a*

limited extent at the international level in the fields of common entrepreneurial projects, exchange of information and know how, joint application to international tenders etc;

- *to support the creation of local, regional, national and international networks of cooperatives, able to share and exchange business relationships, expertise, knowledge, know how and good practices. Network building is possible and desirable at each organisational and geographical level.*
- *To support the creation and strengthening of national, regional and global chains of production and distribution in which cooperatives are present partly or totally and on which they can have partial or total control.”*

3.3. INSTITUTION BUILDING (CREATION AND DEVELOPMENT OF COOPERATIVE ORGANISATIONS)

The creation and development of cooperative representative organisations (federations) is key to the development of cooperatives once they attain a minimum critical mass, as over one century of institutional development of the cooperative movement has clearly demonstrated, in the most varied political, economic, social and cultural environment around the world.

The above mentioned SCOPE 1 and SCOPE 2 projects were partly centred on institution-building by reinforcing already existing cooperative organisations.

But CICOPA has also been instrumental in contributing to the establishment of cooperative organisations from scratch. Through the SCOPE projects, CECOP CICOPA-Europe favoured the creation from scratch of an Estonian cooperative organisation. With the help of its Canadian member, CICOPA has contributed to the establishment of the US Federation of Worker Cooperatives in 2004. CICOPA-Mercosur, established 2 years ago among CICOPA members from Argentina, Brazil, Uruguay and Paraguay, has been key in promoting worker cooperatives in Paraguay, which were all but inexistent in that country, through an exchange project by which Argentinean, Brazilian and Uruguayan worker cooperative federations (which instead have a strong expertise in developing worker cooperatives). A worker cooperative federation is presently in the making in Paraguay.

3.4 THE ELABORATION OF STANDARDS AND LEGISLATION EXPERTISE

Being the sectoral organisation of the International Cooperative Alliance (ICA) for industrial, service and artisanal cooperatives, and being the only cooperative organisation representing worker cooperatives and social cooperatives at the world level, CICOPA elaborated world standards for worker cooperatives (2004) and social cooperatives (2011) through complex consultation processes with its members worldwide, culminating in general assembly decisions. These standards (see annex) are applied standards to worker and social cooperatives of the international cooperative standards (one definition, 7 operational principles and 10 underlying values. Their purpose is to clarify the definition of worker and social cooperatives and leave aside any ambiguity in this respect, improve the governance of these typologies of cooperatives, and provide minimum elements to elaborate worker and social cooperative

legislations worldwide. The CICOPA worker cooperative standards (World Declaration on worker Cooperatives, available on www.cicopa.coop), served *inter alia* as a basis for the elaboration of the Brazilian worker cooperative law which was approved in July 2012.

Experiences from members in France, Italy, Spain, the UK, Bulgaria, Argentina, Brazil, Canada which, among others, have dedicated legislation experts

There is a wealth of expertise on cooperative legislation within the CICOPA network. At the same time, there have been many new national legislations creating and developing worker and social cooperatives passed over the last 20 years, as well as legislation on cooperative groups and cooperative financial instruments. This development is both a cause and a consequence of the increase in legislation expertise within our network. Since 1991 (a 22 year period), 9 national legislations on social cooperatives have been approved: Italy, France, Spain, Portugal, Poland, Greece, Hungary, Quebec and Uruguay, and 3 of them have been updated (Poland, France and Greece). The term “worker cooperative” has begun to be mentioned in a number of reformed general cooperative legislations, such as Malta, South Africa, The Philippines, Serbia and Croatia. A brand new worker cooperative legislation was passed in Brazil last year, and a general cooperative law with provisions for social and worker cooperatives was passed in Korea. A worker cooperative law is being discussed in Japan and Argentina. Laws on cooperative groups exist in Spain and Italy. Several legislations on financial instruments for worker and social cooperatives exist in Italy and France. Most of these laws have shown that they were a key development factor for worker and social cooperatives, provided that the administration in charge of administering the law (registration, dissolution, supervision and sanctions) functions properly.

3.5. THE EMBLEMATIC EXAMPLE OF BRAZIL: FROM AN EPIDEMIC OF FALSE WORKER COOPERATIVES TO THE APPLICATION OF THE CICOPA STANDARDS AND THE APPROVAL OF A WORKER COOPERATIVE LAW

Excerpts from the presentation made by Brazilian Secretary of State for the Solidarity Economy Paul Singer at the Global Worker Cooperative Day organized by CICOPA and CG SCOP in Marseille on 16 November 2012 at the occasion of the UN proclaimed International Year of Cooperatives

“In the 1980s, we experienced one of the worst international economic crises, caused by the United States with an austerity policy and higher interest rates by the then President of the Federal Reserve Paul Volcker, and which had a profound impact on all states of Latin America, it was the famous debt crisis. This crisis particularly affected Brazil and lasted 20 years. There has been virtually no development in Brazil in the 80s and 90s, which are today called the lost decades. Millions of jobs were lost, 6 million in the industry alone. Unemployment reached levels never imagined before (and there was no financial aid for the unemployed at the time), social exclusion was gigantic, many people saw their houses confiscated and ended up in the street or joined the favelas.

It is in this context that false worker cooperatives emerged. Worker cooperatives, at the time, were composed of self-employed who thus did not benefit from the labour legislation. Through these false cooperatives, it was very easy to obtain that employees continue to work while renouncing their labour

rights. The company employing workers through a "worker cooperative work pays" half the cost of labour compared to regular employees. Brazil experienced an epidemic of false cooperatives, false because they comprised none of the cooperative characteristics of self-management. The cooperative was owned by the owner of the company that employed workers through it. Workers just received a statement advising that they were all dismissed, although they continued to work. Indeed, the company should lose not even a single working day of these workers. These were forced to go to a certain address and register in a "cooperative" which already existed and had been established exclusively for this purpose. Workers did it because it was vital for them to continue to work, since there was a huge unemployment. But because of this the workers lost their historic achievements in terms of labour law, due to unemployment and the crisis.

In 2003, Lula was elected president, and created a state Secretariat for Solidarity Economy, which still exists today and for which I am in charge. On the first day I became Secretary of State for the Solidarity Economy, a lady was waiting for me in my office, she was the vice president of the OCB, the Organization of Brazilian Cooperatives. She told me that justice was closing down not only the false worker cooperatives, but also the real ones. Indeed at the time, real worker cooperatives were also established by unemployed workers, which were democratic and self-managed as it should be. Justice could not distinguish one from the other. Indeed, neither the real worker cooperatives could benefit from workers' rights. All worker cooperatives, true or false, were considered to be unfair competition for companies, they were paying these fees. So there was mass mortality of false worker cooperatives, but also often of true ones which, from our point of view, marked the beginning of a new phase of the cooperative movement in Brazil.

From our State Secretariat, we faced the discussion and did research on how the problem was faced in Europe. We discovered that there was legislation on worker cooperatives in countries like France, Italy and Spain, ensuring that worker cooperatives make themselves responsible for their members to receive holidays, a paid weekly rest and all other rights which the Brazilian constitution guarantees in principle to workers. We needed a law that explicitly protected the rights of workers in worker cooperatives. So we started to develop a bill with OCB and other cooperative organizations. It was then that CICOPA, which I then didn't know well yet, was decisive, and I want to emphasize it here. A CICOPA statement reached us via OCB, indicating that a member of a worker cooperative work had a dual nature: owner-entrepreneur and worker. As a worker, he is not subject to a boss but to the collective labour discipline, to which all workers must submit, otherwise the cooperative does not work and produces nothing. This concept of dual nature was decisive for us.

We received support from the Ministry of Labour and Employment which my State Secretariat depends from, and discussed with the labour judges and, after much debate, we obtained that the government itself take the initiative to approve a bill that then traveled for seven years between the parliament and the senate, and was finally approved in July this year [2012]. This caused the joy of many, but also the concern of some. Indeed, a large part of the worker cooperatives in Brazil consist of very poor people, who were unemployed, and with almost no capital of their own.

(...) [Indeed], most worker cooperatives in Brazil are poor cooperatives, which, in the beginning, will have a hard time to ensure all labour rights to their workers. The law has been designed in a sufficiently smart

way to accommodate such situations. It has been designed to not disadvantage anyone. The cooperative, according to the law, must convene a general assembly of its members, who must decide how soon they apply the law. The cooperative has the right to fix the time by itself: six months, one year, two years ... Since its workers are interested by the fact that the cooperative implement the law, they have no incentive to reduce this time indefinitely.

[Indeed], beyond that, the law also provides for a programme to promote worker cooperatives [for which only cooperatives having implemented the law are eligible], including technical assistance, credit, economic support etc.. Our State Secretariat will most likely be the one responsible for this programme. More than a responsibility, for us it is a challenge to ensure that no cooperative will be closed because of the law. (...) I am convinced that this law will significantly strengthen cooperatives in Brazil.”

PART 4. RECOMMENDATIONS FOR A PROGRAMME TO PROMOTE COOPERATIVES IN GREECE

According to the decades of development experience of CICOPA and its members, no project or programme promoting cooperatives has ever been successful when it is exclusively promoted by external actors to the people supposed to be the components of these cooperatives, be they governmental agencies, trade unions, universities, NGOs, or foreign institutions or experts, without a clear participation of the actors themselves. A top down dynamic should always be combined with a bottom up one in cooperative projects. Indeed, the essence of cooperatives is to meet ordinary citizens' socio-economic needs through an enterprise which the same ordinary persons control democratically. In order to promote cooperatives, it is necessary to enter the cooperative logic. If this fundamental factor is absent and is not consciously promoted, there is a high risk that an initiative to promote cooperatives and the social economy in Greece may fail, with a substantial waste of financial resources and, even worse, a bad experience which may take years or even decade to be overcome in public opinion, as has happened in a number of countries already.⁶² Thus, there is a need to identify the different actors who could contribute to cooperative development in Greece.

It is particularly important to identify and involve into the project the Greek persons, institutions and networks that have already begun working on cooperative promotion under one aspect or another, as well as existing cooperatives or cooperatives in the making belonging to the priority sectors and typologies.

Especially in countries where this type of project has started virtually from scratch, the CICOPA network's experience shows that it is more effective to concentrate first on a handful of localities where a pilot experience can be developed. The promotion of pilot projects is not only a cooperative strategy.

This strategy is particularly interesting in cooperative development programmes where activities start from scratch and where tangible models in the same country, with actors and witnesses expressing themselves in the same language, can then be shared with the rest of the national population, thereby creating trust.

Like was mentioned in the above mentioned Cooperative Development Strategy elaborated by CICOPA, a fundamental element in developing cooperatives, after the "micro" level at the very beginning, is the "meso" dimension which is the one corresponding to the dedicated business support institutions, groups, consortia, federations and development centres.

⁶² Such as Peru in the late 1960s, Portugal in the mid-1970s, in France in the 60s and 70s with Lip and Manufrance, in India with Kamani Tubes in the 1990s etc.

In the Greek case, the first “meso” element to be established is, in our view, development centres dedicated to the development of cooperatives and of the social economy, with few pilot project areas being chosen, with a handful (at least 2-3 persons) of dedicated full-time personnel in each of the project areas. The centres should see the participation of persons and institutions committed to the development of cooperatives and the social economy. Connected to these centres, a financial mechanism should be devised in order to provide seed funding to cooperative start-up or restructuring projects.

Given the objective shortage of technical know-how in the various technical fields that are needed to efficiently promote cooperatives in the above mentioned typologies and sectors (cooperative financial management, cooperative governance, worker-members’ participation and human resource management, cooperative financial instruments, legal issues, spin-offs and groupings, etc), the operators of the centre and sub-units should receive intensive training in other countries for one to two months (accompanied by an interpreter if needed) in selected areas where concrete and immediately utilizable knowledge can be learnt.

Foreign specialists from the technical fields in which the operators will have undergone training abroad should then be available to perform regular visits on the pilot projects in order to pursue the training of the project operators and provide follow-up and advice, including, in the beginning, on the specific cooperative enterprises being established .

Only when the pilot projects have generated an embryonic cooperative reality should the second stage begin, namely an extension to other areas of the country, possibly through a system of tenders. The attention on the first pilot projects should not diminish: on the contrary, it should at the same time be reinforced, as enterprise mortality concentrates on the first 2 years of activity, and as 5 years of existence are needed to put enterprises to the test of economic sustainability. If needed, the number of foreign specialists following up local projects should increase at the beginning of this second phase, both to continue following up the original pilot projects and to follow up the new ones being established.

As far as the social cooperatives involved in care to children and the elderly are concerned, the establishment of cooperatives should not be seen as an alternative to overall public supervision and financing over this area. Successful experience in other countries (eg in Italy and Japan, two cases mentioned above) show that social cooperatives active in these areas can function properly only if they can on the one hand rely on state funding for part of their activities and clients, and without state funding for another part. Social cooperatives have shown everywhere that they can provide a better and cheaper utilisation of public resources, provided the above condition is met.

In this respect, it is probably necessary to foresee study trips by concerned civil servants to successful experiences abroad in order to better understand the financial and contractual framework under which cooperation between the public authorities and social cooperatives usually operate.

The involvement of trade unions in such a programme, and particularly in the field of business transfers of enterprises at risk of closing down to their employees (worker buy-outs), would be critical. Trade unions have often access to intra-firm information which can be crucial in order to organise a business transfer to the employees before it is either too late or before the operation requires massive funding.

Last but not least, such a programme should foresee, as a third stage, the establishment of a Greek federation of cooperatives in industry and services. Having an interlocutor with a clear mandate by the grassroots cooperatives to represent the latter, negotiate on their behalf, elaborate strategic development plans and establish alliances with other civil society actors is in the interest of all parties (national and local authorities, trade unions, employers' organisations, chambers of commerce, business courts, banks, NGOs, etc.), as has been demonstrated repeatedly in dozens of countries around the world.

ANNEXES

Annex 1: ILO Recommendation 193/2002 on the Promotion of Cooperatives⁶³

The General Conference of the International Labour Organization,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its 90th Session on 3 June 2002, and

Recognizing the importance of cooperatives in job creation, mobilizing resources, generating investment and their contribution to the economy, and

Recognizing that cooperatives in their various forms promote the fullest participation in the economic and social development of all people, and

Recognizing that globalization has created new and different pressures, problems, challenges and opportunities for cooperatives, and that stronger forms of human solidarity at national and international levels are required to facilitate a more equitable distribution of the benefits of globalization, and Noting the ILO Declaration on Fundamental Principles and Rights at Work, adopted by the International Labour Conference at its 86th Session (1998), and Noting the rights and principles embodied in international labour Conventions and Recommendations, in particular the Forced Labour Convention, 1930; the Freedom of Association and Protection of the Right to Organise Convention, 1948; the Right to Organise and Collective Bargaining Convention, 1949; the Equal Remuneration Convention, 1951; the Social Security (Minimum Standards) Convention, 1952; the Abolition of Forced Labour Convention, 1957; the Discrimination (Employment and Occupation) Convention, 1958; the Employment Policy Convention, 1964; the Minimum Age Convention, 1973; the Rural Workers' Organisations Convention and Recommendation, 1975; the Human Resources Development Convention and Recommendation, 1975; the Employment Policy (Supplementary Provisions) Recommendation, 1984; the Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998; and the Worst Forms of Child Labour Convention, 1999, and

Recalling the principle embodied in the Declaration of Philadelphia that "labour is not a commodity", and

Recalling that the realization of decent work for workers everywhere is a primary objective of the International Labour Organization, and

Having decided upon the adoption of certain proposals with regard to the promotion of cooperatives, which is the fourth item on the agenda of the session, and

Having determined that these proposals shall take the form of a Recommendation;

adopts this twentieth day of June of the year two thousand and two the following Recommendation, which may be cited as the Promotion of Cooperatives Recommendation, 2002.

I. SCOPE, DEFINITION AND OBJECTIVES

1. It is recognized that cooperatives operate in all sectors of the economy. This Recommendation applies to all types and forms of cooperatives.

⁶³ http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_ILO_CODE:R193

2. For the purposes of this Recommendation, the term "cooperative" means an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

3. The promotion and strengthening of the identity of cooperatives should be encouraged on the basis of:

(a) cooperative values of self-help, self-responsibility, democracy, equality, equity and solidarity; as well as ethical values of honesty, openness, social responsibility and caring for others; and

(b) cooperative principles as developed by the international cooperative movement and as referred to in the Annex hereto. These principles are: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community.

4. Measures should be adopted to promote the potential of cooperatives in all countries, irrespective of their level of development, in order to assist them and their membership to:

(a) create and develop income-generating activities and sustainable decent employment;

(b) develop human resource capacities and knowledge of the values, advantages and benefits of the cooperative movement through education and training;

(c) develop their business potential, including entrepreneurial and managerial capacities;

(d) strengthen their competitiveness as well as gain access to markets and to institutional finance;

(e) increase savings and investment;

(f) improve social and economic well-being, taking into account the need to eliminate all forms of discrimination;

(g) contribute to sustainable human development; and

(h) establish and expand a viable and dynamic distinctive sector of the economy, which includes cooperatives, that responds to the social and economic needs of the community.

5. The adoption of special measures should be encouraged to enable cooperatives, as enterprises and organizations inspired by solidarity, to respond to their members' needs and the needs of society, including those of disadvantaged groups in order to achieve their social inclusion.

II. POLICY FRAMEWORK AND ROLE OF GOVERNMENTS

6. A balanced society necessitates the existence of strong public and private sectors, as well as a strong cooperative, mutual and the other social and non-governmental sector. It is in this context that Governments should provide a supportive policy and legal framework consistent with the nature and function of cooperatives and guided by the cooperative values and principles set out in Paragraph 3, which would:

(a) establish an institutional framework with the purpose of allowing for the registration of cooperatives in as rapid, simple, affordable and efficient a manner as possible;

(b) promote policies aimed at allowing the creation of appropriate reserves, part of which at least could be indivisible, and solidarity funds within cooperatives;

(c) provide for the adoption of measures for the oversight of cooperatives, on terms appropriate to their nature and functions, which respect their autonomy, and are in accordance with national law and practice, and which are no less favourable than those applicable to other forms of enterprise and social organization;

(d) facilitate the membership of cooperatives in cooperative structures responding to the needs of cooperative members; and

(e) encourage the development of cooperatives as autonomous and self-managed enterprises, particularly in areas where cooperatives have an important role to play or provide services that are not otherwise provided.

7. (1) The promotion of cooperatives guided by the values and principles set out in Paragraph 3 should be considered as one of the pillars of national and international economic and social development.

(2) Cooperatives should be treated in accordance with national law and practice and on terms no less favourable than those accorded to other forms of enterprise and social organization. Governments should introduce support measures, where appropriate, for the activities of cooperatives that meet specific social and public policy outcomes, such as employment promotion or the development of activities benefiting disadvantaged groups or regions. Such measures could include, among others and in so far as possible, tax benefits, loans, grants, access to public works programmes, and special procurement provisions.

(3) Special consideration should be given to increasing women's participation in the cooperative movement at all levels, particularly at management and leadership levels.

8. (1) National policies should notably:

(a) promote the ILO fundamental labour standards and the ILO Declaration on Fundamental Principles and Rights at Work, for all workers in cooperatives without distinction whatsoever;

(b) ensure that cooperatives are not set up for, or used for, non-compliance with labour law or used to establish disguised employment relationships, and combat pseudo cooperatives violating workers' rights, by ensuring that labour legislation is applied in all enterprises;

(c) promote gender equality in cooperatives and in their work;

(d) promote measures to ensure that best labour practices are followed in cooperatives, including access to relevant information;

(e) develop the technical and vocational skills, entrepreneurial and managerial abilities, knowledge of business potential, and general economic and social policy skills, of members, workers and managers, and improve their access to information and communication technologies;

(f) promote education and training in cooperative principles and practices, at all appropriate levels of the national education and training systems, and in the wider society;

(g) promote the adoption of measures that provide for safety and health in the workplace;

(h) provide for training and other forms of assistance to improve the level of productivity and competitiveness of cooperatives and the quality of goods and services they produce;

(i) facilitate access of cooperatives to credit;

(j) facilitate access of cooperatives to markets;

(k) promote the dissemination of information on cooperatives; and

(l) seek to improve national statistics on cooperatives with a view to the formulation and implementation of development policies.

(2) Such policies should:

(a) decentralize to the regional and local levels, where appropriate, the formulation and implementation of policies and regulations regarding cooperatives;

(b) define legal obligations of cooperatives in areas such as registration, financial and social audits, and the obtaining of licences; and

(c) promote best practice on corporate governance in cooperatives.

9. Governments should promote the important role of cooperatives in transforming what are often marginal survival activities (sometimes referred to as the "informal economy") into legally protected work, fully integrated into mainstream economic life.

III. IMPLEMENTATION OF PUBLIC POLICIES FOR THE PROMOTION OF COOPERATIVES

10. (1) Member States should adopt specific legislation and regulations on cooperatives, which are guided by the cooperative values and principles set out in Paragraph 3, and revise such legislation and regulations when appropriate.

(2) Governments should consult cooperative organizations, as well as the employers' and workers' organizations concerned, in the formulation and revision of legislation, policies and regulations applicable to cooperatives.

11. (1) Governments should facilitate access of cooperatives to support services in order to strengthen them, their business viability and their capacity to create employment and income.

(2) These services should include, wherever possible:

(a) human resource development programmes;

(b) research and management consultancy services;

(c) access to finance and investment;

(d) accountancy and audit services;

(e) management information services;

(f) information and public relations services;

(g) consultancy services on technology and innovation;

(h) legal and taxation services;

(i) support services for marketing; and

(j) other support services where appropriate.

(3) Governments should facilitate the establishment of these support services. Cooperatives and their organizations should be encouraged to participate in the organization and management of these services and, wherever feasible and appropriate, to finance them.

(4) Governments should recognize the role of cooperatives and their organizations by developing appropriate instruments aimed at creating and strengthening cooperatives at national and local levels.

12. Governments should, where appropriate, adopt measures to facilitate the access of cooperatives to investment finance and credit. Such measures should notably:

(a) allow loans and other financial facilities to be offered;

(b) simplify administrative procedures, remedy any inadequate level of cooperative assets, and reduce the cost of loan transactions;

(c) facilitate an autonomous system of finance for cooperatives, including savings and credit, banking and insurance cooperatives; and

(d) include special provisions for disadvantaged groups.

13. For the promotion of the cooperative movement, governments should encourage conditions favouring the development of technical, commercial and financial linkages among all forms of cooperatives so as to facilitate an exchange of experience and the sharing of risks and benefits.

IV. ROLE OF EMPLOYERS' AND WORKERS' ORGANIZATIONS AND COOPERATIVE ORGANIZATIONS, AND RELATIONSHIPS BETWEEN THEM

14. Employers' and workers' organizations, recognizing the significance of cooperatives for the attainment of sustainable development goals, should seek, together with cooperative organizations, ways and means of cooperative promotion.

15. Employers' organizations should consider, where appropriate, the extension of membership to cooperatives wishing to join them and provide appropriate support services on the same terms and conditions applying to other members.

16. Workers' organizations should be encouraged to:

(a) advise and assist workers in cooperatives to join workers' organizations;

(b) assist their members to establish cooperatives, including with the aim of facilitating access to basic goods and services;

(c) participate in committees and working groups at the local, national and international levels that consider economic and social issues having an impact on cooperatives;

- (d) assist and participate in the setting up of new cooperatives with a view to the creation or maintenance of employment, including in cases of proposed closures of enterprises;
- (e) assist and participate in programmes for cooperatives aimed at improving their productivity;
- (f) promote equality of opportunity in cooperatives;
- (g) promote the exercise of the rights of worker-members of cooperatives; and
- (h) undertake any other activities for the promotion of cooperatives, including education and training.

17. Cooperatives and organizations representing them should be encouraged to:

- (a) establish an active relationship with employers' and workers' organizations and concerned governmental and non-governmental agencies with a view to creating a favourable climate for the development of cooperatives;
- (b) manage their own support services and contribute to their financing;
- (c) provide commercial and financial services to affiliated cooperatives;
- (d) invest in, and further, human resource development of their members, workers and managers;
- (e) further the development of and affiliation with national and international cooperative organizations;
- (f) represent the national cooperative movement at the international level; and
- (g) undertake any other activities for the promotion of cooperatives.

V. INTERNATIONAL COOPERATION

18. International cooperation should be facilitated through:

- (a) exchanging information on policies and programmes that have proved to be effective in employment creation and income generation for members of cooperatives;
- (b) encouraging and promoting relationships between national and international bodies and institutions involved in the development of cooperatives in order to permit:
 - (i) the exchange of personnel and ideas, of educational and training materials, methodologies and reference materials;
 - (ii) the compilation and utilization of research material and other data on cooperatives and their development;
 - (iii) the establishment of alliances and international partnerships between cooperatives;
 - (iv) the promotion and protection of cooperative values and principles; and
 - (v) the establishment of commercial relations between cooperatives;
- (c) access of cooperatives to national and international data, such as market information, legislation, training methods and techniques, technology and product standards; and

(d) developing, where it is warranted and possible, and in consultation with cooperatives, employers' and workers' organizations concerned, common regional and international guidelines and legislation to support cooperatives.

VI. PROVISION

19. The present Recommendation revises and replaces the Co-operatives (Developing Countries) Recommendation, 1966.

ANNEX TO ILO RECOMMENDATION 193/2002 - EXTRACT FROM THE STATEMENT ON THE COOPERATIVE IDENTITY, ADOPTED BY THE GENERAL ASSEMBLY OF THE INTERNATIONAL CO-OPERATIVE ALLIANCE IN 1995

The cooperative principles are guidelines by which cooperatives put their values into practice.

Voluntary and open membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Democratic member control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

Member economic participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative.

Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

Autonomy and independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

Education, training and information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the

general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.

Cooperation among cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

Concern for community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

Annex 2: CICOPA World Declaration on Worker Cooperatives

Approved by the ICA General Assembly in Cartagena ,Colombia, on 23 September 2005

This Declaration shall be adapted to the different languages of the world, taking into account the various cultures, linguistic traditions and cooperative expressions in use, on the basis of the original English or Spanish version or both.

GENERAL CONSIDERATIONS

1. Humankind permanently seeks a qualitative improvement of the forms of organising work, and endeavours to achieve ever better, fairer and more dignifying labour relations.
2. At present, human beings carry out their occupational activities under three basic modalities: a) independently as self-employed, being then defined by one's own capacities and self-regulation; b) as wage earners, under the continuous subordination to an employer who provides a compensation resulting exclusively from individual or collective negotiations; or c) under a third form, called worker ownership, in which work and management are carried out jointly, without the typical limitations of individual work, nor exclusively under the rules of conventional wage-based labour.
3. Among the modalities of worker ownership, the one being organised through worker cooperatives has attained the highest level of development and importance at present in the world, and is structured on the basis of the universal cooperative principles, values and operational methods enshrined in the Statement on the Cooperative Identity (Manchester, 1995), agreed upon within the framework of the International Cooperative Alliance (ICA), and incorporated in the ILO Recommendation 193/2002 on the Promotion of Cooperatives.
4. Worker cooperatives are committed to being governed by the above-mentioned Statement on the Cooperative Identity. Moreover, it has become necessary to define at world level some basic characters and internal operational rules that are exclusive to this type of cooperatives, which have specific goals and purposes that differ from cooperatives belonging to other categories. This definition will enhance the coherence and universal identity of cooperative worker ownership, stimulate its development, and produce recognition at world level of its social and economic function in creating decent and sustainable jobs, while also preventing deviations or abuses.
5. A world declaration is also needed in order to focus on the importance of cooperative worker ownership, the promotion of worker cooperatives, and their relations with cooperatives belonging to other categories, as well as with the State, international organisations, the entrepreneurial world and the trade unions. This is necessary to guarantee the development and promotion of worker cooperatives, as well as the full recognition of their role as actors in the solution of the problems of unemployment and social exclusion, and as proponents of one of the most advanced, fair and dignifying modalities of labour relations, generation and distribution of wealth, and democratisation of ownership and of the economy.
6. Although CICOPA also affiliates cooperatives of individual artisans and other forms of cooperative management that are based on the central concepts of work and production, the present declaration is aimed specifically at worker cooperatives. This does not preclude that it could be, in so far as possible, used by and applied to users' cooperatives that also grant membership and ownership to

their workers as a differentiated part from the other members in such a way that their interests are represented adequately, as well as to all the forms of management that grant special recognition to human work and to those who carry it out, such as workers' limited societies (sociedades anónimas laborales – SALs) that apply benefits of cooperative nature to their workers, and in general all those enterprises of community character that provide special labour relations to their members besides offering them welfare services.

On the basis of the above-mentioned considerations, CICOPA unanimously approves the following World Declaration on Worker Cooperatives.

I. BASIC CHARACTERS

On the basis of the definition, values and principles enshrined in the Statement on the Cooperative Identity (Manchester, 1995), and incorporated in ILO Recommendation 193 / 2002 on the Promotion of Cooperatives⁶⁴, worker cooperatives contain the following basic characters:

1. They have the objective of creating and maintaining sustainable jobs and generating wealth, in order to improve the quality of life of the worker-members, dignify human work, allow workers' democratic self-management and promote community and local development.
2. The free and voluntary membership of their members, in order to contribute with their personal work and economic resources, is conditioned by the existence of workplaces.
3. As a general rule, work shall be carried out by the members. This implies that the majority of the workers in a given worker cooperative enterprise are members and *vice versa*.
4. The worker-members' relation with their cooperative shall be considered as different to that of conventional wage-based labour and to that of autonomous individual work.
5. Their internal regulation is formally defined by regimes that are democratically agreed upon and accepted by the worker-members.
6. They shall be autonomous and independent, before the State and third parties, in their labour relations and management, and in the usage and management of the means of production.

⁶⁴ A cooperative is "*an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise*" (ILO R193, art. 2). The cooperative principles are: "*voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community*" (ILO R193, art. 3 (b)). The cooperative values are: "*self-help, self-responsibility, democracy, equality, equity and solidarity; as well as ethical values of honesty, openness, social responsibility and caring for others*" (ILO R 193, art 3 (a)).

II. INTERNAL FUNCTIONING RULES

In their internal operations, worker cooperatives must take into account the following rules. They shall:

Compensate the work of their members equitably, taking in consideration the function, the responsibility, the complexity and the specificity requested by their positions, their productivity and the economic capacity of the enterprise, trying to reduce the difference between the highest and the lowest compensations.

1. Contribute to the capital increase and the appropriate growth of indivisible reserves and funds.
2. Provide the workplaces with physical and technical facilities aimed at achieving an appropriate functioning and a good organisational climate.
3. Protect the worker-members with appropriate systems of welfare, social security and occupational health, and abide by the standards of protection in force in the areas of maternity, childcare and minors of age at work.
4. Practice democracy in the decisive instances of the organisation and in all the stages of the management process.
5. Ensure permanent education and training for capacity building of members and information to the latter, in order to guarantee professional knowledge and the development of the worker cooperative model, and to stimulate innovation and good management.
6. Contribute to the improvement of the living conditions of the family nucleus and the sustainable development of the community.
7. Combat their being instruments aimed at making the labour conditions of wage-earning workers more flexible or precarious, and from acting as conventional intermediaries for jobs.

III. RELATIONS WITHIN THE COOPERATIVE MOVEMENT

A strong invitation is made to the cooperative movement in general:

1. To make the promotion of worker cooperatives one of the main priorities within the world cooperative movement, and to effectively contribute to the creation of new enterprises of this type.
2. To establish strategic alliances that foster the development of worker cooperatives and to make their entrepreneurial projects possible, including the access to appropriate financing, and the promotion of the services that they offer and of the products that they produce.
3. To establish capital formation mechanisms in worker cooperatives, including the contribution to the latter of risk capital from cooperatives of other categories, with an economic compensation covering the opportunity cost and an appropriate participation in management, without endangering their autonomy and independence.
4. To promote the representative organisations of worker cooperatives at local, national, regional and international level, and the cooperation among them, and to support the creation of second-degree entities, entrepreneurial groups and consortia and common socio-economic agreements among

cooperatives, in order to provide efficient entrepreneurial services, reinforce the cooperative movement, and strive for a model of society characterized by social inclusion and solidarity⁶⁵.

5. To promote initiatives that ensure that the State, in its different branches, create and improve the instruments for the development of this type of cooperatives, including relevant and appropriate legislation. This also implies furthering petitions to parliamentarians, in order to make such legislation possible.
6. To promote, in so far as possible, the integration of the wage-earning workers of the cooperatives as worker-members.

IV. RELATIONS WITH THE STATE AND WITH REGIONAL AND INTERGOVERNMENTAL INSTITUTIONS

1. Governments should understand the importance of the promotion and development of worker cooperatives as effective actors of job creation and inclusion to working life of unemployed social groups. For this reason, governments should not discriminate against worker cooperatives, and should include the promotion and development of this type of enterprises in their policies and programs, in order to fight some of the major problems which the world suffers from, generated as a consequence of exclusionary globalisation and development, such as unemployment and inequality.
2. In order to make cooperative worker ownership a real option, the States should establish national and regional regulatory schemes that recognize the specific legal nature of this type of cooperatives, allow them to generate goods or services under optimal conditions and to develop all their entrepreneurial creativity and potential in the interest of their worker-members and the community as a whole.
3. In particular, the States should:
 - Recognize in their legislation that cooperative worker ownership is conditioned by labour and industrial relations that are distinct from wage-based labour and self-employment or independent work, and accept that worker cooperatives apply corresponding norms and regulations.
 - Ensure the application of the general labour legislation to non-member workers of worker cooperatives, with whom conventional wage-based relations are established.
 - Apply to worker cooperatives the ILO concept of Decent Work and clear, precise and coherent provisions regulating social protection in the fields of health, pensions, unemployment insurance, occupational health and labour safety, taking into consideration their specific labour relations.
 - Define specific legal provisions regulating the fiscal regime and the self-managed organisation of worker cooperatives that can enable and promote their development.

⁶⁵ “*The adoption of special measures should be encouraged to enable cooperatives, as enterprises and organizations inspired by solidarity, to respond to their members' needs and the needs of society, including those of disadvantaged groups in order to achieve their social inclusion*” (ILO Recommendation 193/2002, art. 5).

In order to receive an appropriate treatment from the State, cooperatives should be registered and/or audited.

4. Governments should ensure access to appropriate financing conditions for entrepreneurial projects launched by worker cooperatives by creating specific public funds, or loan guarantees or covenants for the access to financial resources and promoting economic alliances with the cooperative movement.
5. The States and the regional and inter-governmental organisations should promote projects based on exchanges of successful experiences, on information about, and development of structures of entrepreneurial and institutional support for worker cooperatives, within the framework of international and regional cooperation, for job creation, sustainable entrepreneurial initiatives, gender equality, and the fight against poverty and marginalisation.
6. Cooperative worker ownership should be promoted as an option and an entrepreneurial model as much in processes of entrepreneurial change and restructuring, start-ups, privatisations, conversion of enterprises in crisis, and transmission of enterprises without heirs, as in the concession of public services and public procurement, in which the State should define conditioning clauses that stimulate local development through worker cooperative enterprises.
7. In the context of the relations with the State, it is important to highlight the guideline of ILO Recommendation 193 concerning the necessity to endeavour towards the consolidation of a distinctive area of the economy, which includes the cooperatives⁶⁶. It is an area in which profit is not the first motivation, and which is characterized by solidarity, participation and economic democracy.

V. RELATIONS WITH EMPLOYERS' ORGANISATIONS

Employers' organisations can promote the development of cooperative worker ownership as an entrepreneurial form whose first objective is the creation of sustainable and decent jobs with an entrepreneurial added value, and as an appropriate exit strategy for the recovery of companies in crisis or in the process of liquidation, while respecting their autonomy, allowing their free entrepreneurial development and without abusing of this associative labour modality to violate the workers' labour rights.

⁶⁶ “*A balanced society necessitates the existence of strong public and private sectors, as well as a strong cooperative, mutual and the other social and non-governmental sector.*” (ILO R.193, art.6); *Measures should be adopted to promote the potential of cooperatives in all countries, irrespective of their level of development, in order to assist them and their membership to (...) establish and expand a viable and dynamic distinctive sector of the economy, which includes cooperatives, that responds to the social and economic needs of the community*”(ILO R.193, art.4).

VI. RELATIONS WITH WORKERS' ORGANIZATIONS

The cooperative movement should maintain a permanent dialogue with the trade unions, as the representatives of the workers, in order to make sure that they understand the nature and essence of cooperative worker ownership as a distinctive modality of labour relations and ownership⁶⁷, overcoming the typical conflicts of wage-based labour, and that they support it in view of its importance and the prospects that it offers to human society.

This declaration is in correspondence with ILO Recommendation 193 approved by governments, employers' and workers' organisations worldwide⁶⁸. Therefore, we hope that the latter consider it seriously, in order to contribute to the solution of the grave world problem of unemployment that affects humanity and endangers world peace and human rights.

⁶⁷ In this regard, the ILO Recommendation 193/2002 states that “Workers' organizations should be encouraged to (...) promote the exercise of the rights of worker-members of cooperatives” (art. 16 g).

⁶⁸ The Recommendation states that “The promotion of cooperatives (...) should be considered as one of the pillars of national and international economic and social development” (art 7 (1)).

Annex 3: CICOPA World Standards of Social Cooperatives

Mainly since the 1970s, the emergence of new types of cooperatives responding to unmet needs, mainly in the fields of the provision of social services and work integration has been observed across the world. In some countries, these new types of cooperatives have gradually obtained their own legal status, under different denominations, such as “social cooperative”, “social solidarity cooperative”, “social initiative cooperative”, “solidarity cooperative” and “collective interest cooperative society”, highlighting the importance of this new phenomenon within the cooperative movement.

As the international organisation representing “*industrial, artisans’, service and social cooperatives and cooperatives with worker ownership*”⁶⁹, CICOPA organised a two-year consultation process with its members in order to develop a common concept concerning this type of cooperatives. The World Standards of Social Cooperatives are the outcome of this process. They were approved in their substance at the CICOPA General Assembly held in Geneva on 18 November 2009 and in their final form at the CICOPA General Assembly held in Cancun, Mexico, on 16 November 2011.

1. Social cooperatives as newly emerging cooperatives in the cooperative movement

Social cooperatives are one of the main responses of the cooperative movement to people’s emerging needs. Being firmly based on the cooperative’s internationally agreed definition, values and principles, they additionally have their own distinctive characters.

- Owing to different national and regional contexts, the classification of social cooperatives within the cooperative movement differs from country to country.
- Despite such differences, social cooperatives fundamentally share all the commonly agreed standards of the cooperative model, namely the definition, values and operational principles enshrined in the ICA Statement on the Cooperative Identity (Manchester, 1995) and in ILO Recommendation 193 on the Promotion of Cooperatives (Geneva, 2002). At the same time, they also possess important distinctive characteristics.

2. Main characteristics

2.1 Explicit general interest mission

⁶⁹ Rules of CICOPA, Art. 1.3.

The most distinctive characteristic of social cooperatives is that they *explicitly* define a general interest mission as their *primary* purpose and carry out this mission *directly* in the production of goods and services of general interest. Work integration, which is a key mission of many social cooperatives, should be considered as a service of general interest to all intents and purposes, regardless of the types of goods or services which they produce.

- Since the origins of the cooperative movement, and in accordance with the above-mentioned internationally-agreed standards, cooperatives in general have been based on people's joint needs and aspirations, and, thence, inherently possess a social dimension, regardless of the type of cooperative. In addition, the seventh cooperative principle clearly mentions the cooperative's concern for community.
- Nevertheless, the general interest mission as a *primary* purpose is an essential characteristic of social cooperatives. The concept of general interest is linked to fundamental human needs in a given territory or community, its scope covering all citizens living in it. Social cooperatives often manage general interest activities relinquished or unmet by the public sector.
- The general interest mission of social cooperatives is directly carried out through the production of goods and services of general interest. The general interest mission of social cooperatives is not instrumental to other purposes, but is their very reason of being.

2.2. Non-state character

In abidance with the 4th cooperative principle (autonomy and independence), social cooperatives are non-state entities. As such, they should be substantially independent from the public sector and from other entities, independently from the forms and amounts of aid which they might receive, the partnership agreements with state authorities which they could enter into and even representation of state authorities which might exist within their membership.

- Like all cooperatives, social cooperatives are non-state economic entities based on the free association of persons, despite the fact that activities which they carry out are often financed by the public budget, given the general interest character of these activities.
- If social cooperatives were misused as mere instruments of the public authorities or other entities, their cooperative character as autonomous and independent entities would be endangered.
- If social cooperatives depend mainly on regular public subsidies to carry out their basic mission, it is difficult for them to maintain their autonomy from the public authorities. Therefore, social cooperatives should avoid depending prevalently on regular public subsidies to carry out their basic mission.
- In the same vein, in order to avoid excessive influence and control from public authorities, the voting power of public bodies in the social cooperative's governance structure, whenever public bodies can be members of a social cooperative, should always remain lower compared to private legal or physical persons being members of the cooperative.

2.3. Multi-stakeholder membership structure

A governance structure potentially or effectively based on multi-stakeholder membership is an important characteristic of social cooperatives.

- The general interest mission of social cooperatives entails that they may involve different stakeholders, such as worker, user, local authorities, different types of legal persons, etc.
- A multi-stakeholder membership structure is a governance pattern in which different types of stakeholders are or can be members of the cooperative and can thus jointly own and democratically control the enterprise. This multi-stakeholder governance structure is an innovative contribution of social cooperatives in developing democratic and participatory management in response to their general interest mission and its effective implementation.

2.4. Substantial representation of worker members

Worker-members should be represented at every possible level of the governance structure of a social cooperative. The representation of worker members should be higher than one third of votes in every governance structure. In the case of work integration social cooperatives, at least 51% of the members (disadvantaged workers and other workers put together) should be workers. In both cases, at least 51% of workers should be members. In addition, all the standards of the World Declaration on Worker Cooperatives should apply to worker-members.

- Whereas, the composition of a multi-stakeholder governance structure can vary according to different circumstances, worker-members should be significantly represented within all possible governance structures, because workers are always one of the main stakeholders of social cooperatives, either as service providers or as beneficiaries of work integration activities.
- A substantial representation of worker-members can represent a strong point for the development of social cooperatives. First of all, it allows workers to better participate in the design and production of the goods and services of general interest, encouraging organisational and technical innovation and workers' motivation. In the particular case of the provision of services to persons, workers play a crucial role as direct service providers, and their level of motivation is a key to ensuring a high quality of services. Secondly, their representation within governance structures can counterbalance and complement the interest of the users.
- In the specific case of work integration type social cooperatives, the integration of disadvantaged workers into the governance structure can guarantee an effective integration process.
- In addition, the accumulated experience has shown that, in order to guarantee a real labour integration while taking into consideration the economic dimension of the enterprise, and in order to avoid an opportunistic utilisation of this form of cooperative, the ratio of disadvantaged workers

should be between 30% and 50% of the whole workforce.

2.5. Non or limited distribution of surplus

Whereas cooperatives may use part of their surplus to benefit members in proportion to their transactions with the cooperative (3rd cooperative principle), social cooperatives practice limited distribution or non-distribution of surplus. However, this way to apply the 3rd cooperative principle should be adapted to each specific context.

- Since surplus redistribution to cooperative members is done in proportion to the transactions between the latter and the cooperative, it is an adjustment of the transaction price.
- Social cooperatives with a multi-stakeholder membership need to consider different types of transactions with different types of members-stakeholders in the distribution of surpluses. Regardless of the way in which the payment of the transactions is made (direct payment by the user or third party partial or total payment through public schemes), the user-members of the social cooperative may have a higher interest in obtaining an improved service and/or a reduced cost of the service than in benefiting from surplus redistribution, considering the general interest character of the service.
- The non-distribution or limited distribution of surplus in social cooperatives confirms that the general interest mission is their primary goal.

3. Recommendations for public authorities

Public authorities at various levels should consider the following recommendations in their treatment of social cooperatives.

- 1) **The process of institutionalization and of policy design should be based on the opinions and views of stakeholders, especially social cooperatives themselves and their representative organisations if these already exist.**
- 2) **As enterprises pursuing a general interest mission, the specificity of social cooperatives should be properly recognized by the public authorities.**
- 3) **When they introduce new legislation on social cooperatives, public authorities should consider the present standards which are based on the experience and know-how of actors in the field.**
- 4) **When they elaborate policies, in particular in the field of services of general interest, social inclusion, local development and enterprise development, public authorities should recognize the specific characters of social cooperatives.**

- Since social cooperatives carry out missions of general interest, they may be involved in activities that are mainly financed by the public sector and implemented in cooperation with the public authorities.
- The recommendations set out above are not designed to request any form of preferential treatment

for social cooperatives, but simply to enable the latter to fully implement their mission of general interest.

- State aid granted specifically to social cooperatives, in particular for the integration of disadvantaged workers, should be understood as fair compensation for the service of general interest provided, including the minor workforce productivity resulting from them, or the additional costs incurred in caring for them.
- Social cooperatives, being actors in the field, should be recognized as an essential partner in the process of policy design.

Annex 4. POLICY RECOMMENDATIONS FOLLOWING THE 2012 INTERNATIONAL YEAR OF COOPERATIVES

FOR MORE WORKER AND SOCIAL COOPERATIVES IN THE WORLD!

JANUARY 2013

The following policy recommendations have been formulated by CICOPA, the world body representing worker and social cooperatives, in the wake of the Global Worker Cooperative Day convened in Marseille (France) on 16 November 2012 within the framework of the UN-proclaimed International Year of Cooperatives (IYC). They constitute CICOPA's main concluding message for the IYC, which has just been completed. We will strive to have them implemented throughout the subsequent Cooperative Decade, which the cooperative movement has now embarked on. They are not abstract recommendations but are based on over one hundred and fifty years of concrete practice in dozens of countries on all continents and in the most varied economic activities, which has repeatedly proven the socio-economic sustainability of our business model. Such sustainability has, once more, been successfully put to the test under the current difficult period for the world economy. We hope that these policy recommendations, grounded in the International Labour Organisation (ILO) Recommendation 193/2002 on the Promotion of Cooperatives in which CICOPA played a substantial role, will contribute to developing cooperatives as economic organisations aimed at satisfying citizens' needs and creating and distributing long-lasting wealth for all.

ADEQUATE LEGAL FRAMEWORK FOR WORKER AND SOCIAL COOPERATIVES

- When introducing new legal frameworks for worker cooperatives, public authorities should take into consideration the World Declaration on Worker Cooperatives (approved by the ICA⁷⁰ General Assembly in Cartagena, Colombia, on 23 September 2005).
- Also, when they introduce new legal frameworks for social cooperatives, public authorities should take into consideration the World Standards of Social Cooperatives (approved by CICOPA⁷¹ General Assembly in Cancun, Mexico, on 16 November 2011).
- Legal provisions instituting fully de-taxed indivisible reserves in cooperatives in States where indivisible reserves are not already enshrined in legislation are strongly urged. In countries where indivisible reserves are already enshrined in legislation, total de-taxation of these reserves is advocated.
- Accompanying mechanisms in industrial and service cooperatives and other employee-owned enterprises such as the non- (or not immediate) distribution of cooperative returns, the revaluation of members' shares (according to mechanisms to be defined and independent from the stock market) should be encouraged and protected by law.

⁷⁰ International Cooperative Alliance

⁷¹ International Organisation representing industrial, artisanal and service producers' cooperatives, social and worker cooperatives

- Laws for worker cooperatives should meet the general and specific criteria of decent work, as required by International Labour Organisation (ILO) Recommendation 193 on the Promotion of Cooperatives.
- National legislation making it compulsory for all cooperatives to dedicate a percentage of their turnover or results to help establish new cooperatives, reinforce existing ones, and restructure enterprises threatened by closure into cooperatives should be encouraged. These solidarity funds should be managed under the supervision of the cooperative organisations themselves for all cooperatives affiliated to such organisations.
- Assistance should be provided for public authorities in order to encourage worker cooperative and social cooperative participation in public procurements notably by making a better use of social clauses and considerations. Saved employment through the cooperativisation of enterprises at risk of closure should be recognized as an added value when those cooperatives take part in public procurements.

BUSINESS TRANSFER TO EMPLOYEES

- In order to save jobs from disappearing, economical activities and local skills and in order to transform them into sustainable activities, the States should promote and adopt measures in favour of the business transfer to employees under the cooperative form.
- Very often, the problem encountered in business transfer to employees in cases of bankruptcies is the lack of knowledge about this business scenario amongst concerned professionals, (lawyers, accountants, etc.), and within the judicial system. Training for professionals would thus be essential in promoting this practice. Better knowledge about cooperatives should also be promoted in trade unions and among persons/structures whose mission is to inform about the creation or transfer of businesses.
- The conversion of enterprises in crisis into economically sustainable cooperatives requires a precise diagnosis. In addition, the earlier the diagnosis can be established, the more successful and sustainable the restructuring will be. The authorities at all levels should cooperate with the cooperative system in facilitating the establishment of early diagnoses of enterprise crises and of the feasibility of transformation into cooperatives. Trade Unions should be associated in those processes.
- Preferential rights should be given to employees in order to give them the best conditions for a takeover bid for an enterprise facing closure.
- Direct financial mechanisms aimed at helping employees invest in enterprises in crisis or without successor in order to engineer business transfers to employees, in particular under the cooperative form, are strongly encouraged. Mechanisms as unemployment benefits or any other benefits available for redundant workers should be available for employees willing to use them as capital for takeover bids for their enterprise facing closure. Worker-owners of the new established cooperatives should not support the debts resulting from the failed company. Training in cooperative management and governance for the future worker-owners should also be supported.

- Specific state aid provisions in coordination with fiscal policy should be adopted by the States in favour of saving and developing economically sustainable activities that are threatened by closure, in particular through business transfers to employees.

ENTERPRISE GROUPING

- Legal frameworks should be adopted for the creation of cooperative horizontal groups as well as measures promoting them.

- Inter-SME collaborative networks under the cooperative form (artisans' cooperatives, cooperatives of SMEs, activity and employment cooperatives etc.) should be encouraged, as those networks considerably reinforce the sustainability of the micro and small enterprises. Such networks are also virtually the only way in which micro and small enterprises can be a source of innovation. Inter-SME international collaborative networks under the cooperative form should also be encouraged, specifically in strategic sectors.

- The creation and reinforcement of mutualised business support institutions among industrial and service cooperatives should be promoted, in the field of financing, training and education, entrepreneurial and legal advisory services etc. jointly owned and controlled by enterprises that use them.

- Creation of international funds should be encouraged for support and promotion of collaboration among cooperatives from different countries.



CICOPA

About CICOPA

The International Organisation of Industrial, Artisanal and Service Producers' Cooperatives, or CICOPA, has been a sectoral organisation of the International Cooperative Alliance (ICA) since 1947. Its full members are representative organisations of producers' cooperatives from different sectors: construction, industrial production, services of general interest, transport, intellectual services, artisanal activities, health, social care, etc. Its associated members are support organisations promoting cooperatives in those sectors. CICOPA currently has a total of 46 members in 31 countries, four of which are development organisations. CICOPA has two regional organisations: CECOP-CICOPA Europe and CICOPA Americas.

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